Austria ... Sch. 18	Indonesia .. Rp 2500	Portugal ... Esc 80
Bahrain . Din 0 650	Italy .... L 1300	S. Arabia .. Rls 6.00
Belgium ... BFr 42	Japan Y550	Singapore . S$ 4.10
Canada ... C$1.00	Jordan ... Fils 500	Spain .... Pta 110
Cyprus ... C£0 60	Kuwait ... Fils 500	Sri Lanka .. Rup 30
Denmark .. Dkr 7.25	Lebanon .. £L 8.00	Sweden .. Skr 6.50
Egypt .... E£1 00	Luxembourg . LFr 42	Switzerland SFr 2.20
Finland .. Fmk 6.00	Malaysia .. Rin 4.25	Taiwan ... NT $65
France .. FFr 6.00	Mexico .. Pes. 300	Tunisia .. Din 0 600
Germany . DM 2.20	Morocco .. Dh 6.00	Turkey .... L 210
Greece ..... Dr 70	Netherlands . Fl 2.50	U.A.E. ... Dh 6 50
Hong Kong . HK$ 12	Norway .. Nkr 6.00	U.S.A. $1.00
India .... Rup. 15	Philippines . Pes. 20	

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,796 Wednesday December 4 1985 D 8523 B

Unesco reforms may not satisfy Britain, Page 17

World news | Business summary

Row over UK inner city report by church

UK Government leaders attacked a Church of England report on the state of Britain's inner cities as being "muddle-headed" and reflecting Labour Party policy. The Liberal and Labour parties, the Trades Union Congress and the Confederation of British Industry welcomed it as a contribution to the debate on social problems.

Dr Robert Runcie, the Archbishop of Canterbury, urged that the report should not become a "political or ecclesiastical football" and attacked the campaign against it before its official publication. He strongly denied suggestions by a minister that the report – which criticises government housing and employment policies – was Marxist.

The document is also critical of the Church of England's record on the inner cities and calls for reforms within the church. Page 18

Bhopal settlement

Union Carbide's Indian subsidiary settled claims by workers who lost their jobs after the leak of poison gas in Bhopal that killed more than 2,000 people. The 627 workers will receive a total of $1.8m for compensation, wages and gratuities due to them since the pesticides factory was closed. Page 18

Aquino to stand

Corazon Aquino, widow of murdered Philippine opposition leader Benigno Aquino, said she would stand against President Ferdinand Marcos in elections set for February 7. Marcos retired or gave new assignments to about 50 senior officers in a reorganisation of the armed forces to make them more effective in anti-insurgency campaigns. Page 4

Minister appointed

General Heinz Kessler was appointed East Germany's new Defence Minister. He replaces General Heinz Hoffmann who died on Monday.

New Caledonia blast

A bomb destroyed Noumea's court building in the French Pacific territory of New Caledonia. The bomb exploded shortly before the French National Assembly in Paris passed a bill granting amnesty for certain crimes committed in the territory.

Jaruzelski in Paris

The surprise visit to Paris of Polish leader Gen Wojiech Jaruzelski provoked a storm of protests from the pro-Socialist CFDT trade union confederation and right-wing opposition parties. Page 2

Cuban loses job

Ramiro Valdes, who has run internal security for much of President Fidel Castro's rule, was dismissed as Interior Minister. He remains Vice President.

Fuel convoy attacked

Afghan guerrillas destroyed 15 tankers en route from the Soviet Union to Kabul in the second attack on a fuel convoy, Western diplomats said.

Tamils kill five

Five soldiers were killed and three wounded when Tamil separatist guerrillas exploded a landmine under their vehicle in Sri Lanka's eastern Trincomalee district.

US plans Berlin TV

The US plans to set up a television station in Berlin with West German help. It will beam programmes to East Germany.

Israeli raid

Israeli troops killed five Palestinian guerrillas in the Hasbaya area of south Lebanon.

Sohio takes $1.15bn charge

SOHIO, British Petroleum's majority-owned US subsidiary, is taking a $1.15bn after-tax charge which will primarily cover the cost of restructuring its loss-making mining operations. Page 18

REMY MARTIN, French cognac group, has acquired a 67.5 per cent controlling stake in Charles Heidsieck champagne company for FFr 295m ($38.4m). Page 19

WALL STREET: The Dow Jones industrial average closed up 1.15 at 1,459.06. Page 38

LONDON: Stocks were sparked by takeover bids in the electricals sector. The FT Ordinary share index added 3.9 to 1,128.3 while the FT-SE 100 ended 2.9 lower at 1,415.6. Page 36

TOKYO: Prices continued to edge down. The Nikkei average shed 22.37 to 12,774.55. Page 36

DOLLAR was firmer in London, rising to DM 2.5335 (DM 2.521), SFr 2.112 (SFr 2.1035), FFr 7.725 (FFr 7.6875) and Y204.8 (Y204.05). On Bank of England figures, the dollar's exchange rate index rose from 126.8 to 127.4. Page 31

STERLING lost 80 points against the dollar in London to finish at $1.4795. It was also weaker at DM 3.7475 (DM 3.75), SFr 3.125 (SFr 3.13), FFr 11.43 (FFr 11.435) and Y303.0 (Y303.5). The pound's exchange rate index was unchanged at 81.4. Page 31

GOLD rose $3.00 an ounce on the London bullion market to close at $322.75 and was 80 cents higher in Zurich at $323.05. In New York the Comex February settlement was $326.70. Page 30

CABLE AND WIRELESS: Share issue has been fully underwritten at 587p a share, 5 per cent below the UK telecommunications group's Monday closing price of 618p. Page 18

PREUSSAG, West German diversified industrial concern, reported profits slightly lower in the first nine months on consolidated domestic group turnover 8.9 per cent down at DM 3.2bn ($1.28bn). Page 20

DEERE, leading US farm equipment maker, blamed the depressed world agriculture sector for a profits fall to $30.5m for the year to October against $104.9m in 1983–84. Page 19

SWEDEN is to redeem the $750m perpetual floating rate note arranged in the Euromarkets last year because it regards the issue as too expensive. Page 19

CHINESE leader Deng Xiaoping warned Japan that economic contacts would become impossible if trade between the two countries was not balanced. Page 4

UNILEVER, the UK part of the Anglo-Dutch consumer group, is to appoint Michael Angus chairman on the retirement of Sir Kenneth Durham. Page 6; Men and Matters, Page 16

WELLA, West Germany hair care group, raised pre-tax profits 10.3 per cent to DM 103.7m ($41.5m) in the first nine months. Page 29

COMAU Productivity Systems, a subsidiary of Italian Fiat group, said it entered an operating agreement with Chevrolet-Pontiac-Canada group of General Motors for "future manufacturing operations." GM has acquired a 20 per cent equity stake in Comau from Fiat.

SOCIÉTÉ GÉNÉRALE, Belgium's largest industrial and financial holding company, has signed a co-operation agreement with Japan's Sumitomo. Page 19.

CBS, US television network, sold its Holt General Book trade publishing unit to Verlagshaus Georg von Holtzbrinck, Stuttgart-based publisher.

GEC floats merger worth £1.16bn in overture to Plessey

BY GUY DE JONQUIERES AND LIONEL BARBER IN LONDON

BRITAIN'S General Electric Company (GEC) yesterday made a surprise £1.16bn ($1.72bn) bid approach to Plessey. GEC said the proposed merger was intended to create a British electronics group able to compete more effectively in world markets.

The approach coincided with the announcement of a 13 per cent fall in GEC's pre-tax profits to £289m for the six months to September 30 from £332m a year previously. Turnover also fell to £2.78bn from £2.79bn.

Plessey, which was clearly surprised by GEC's move, said it would be discussed at a special board meeting today. There were strong indications last night that senior Plessey executives wanted the company to remain independent and were prepared to fight the approach.

GEC said it had asked Plessey to discuss the advantages of the proposed merger and "the conditions which might be associated with an offer by GEC valued at 160p per share."

GEC did not specify exact terms for its offer, but Lord Weinstock, its managing director, told a press conference in Londoo yesterday: "If we

ANNUAL SALES ($bn)	
GEC	6.68
Plessey	1.81
Other leading groups:	
IBM	45.90
GE (US)	27.94
Hitachi	19.41
Philips	15.58
Siemens	14.95
NEC	8.99
CGE	8.48
Olivetti	2.34

Source: FT 500 or last published accounts

cannot agree terms and conditions, we will bave to decide what terms and conditions to impose."

He said the 160p per share offer was "a serious number" and that GEC's move was not opportunistic. GEC's cash mountain stood at £1.37bn at the end of September and produced net income of £80m in the preceding six months.

Plessey's share price rose 38p on the London Stock Exchange yesterday to close at 174p. Despite its lower profits, GEC's share price closed at 186p, up 12p on the day.

GEC is Britain's largest electrical and electronics company, with sales last year of almost £6bn, while Plessey's turnover totalled £1.42bn. Both companies are big suppliers of equipment to the UK Defence Ministry and to British Telecom.

Plessey's pre-tax profits in the six months to September 27 fell 13 per cent from a year previously. The decline was due chiefly to poorer performance in telecommunications, which accounts for more than half Plessey's business.

Yesterday's announcement by GEC marks the formal start of en offer period under the City of London Takeover Code. This requires all dealings in Plessey shares by GEC and its merchant bank adviser, S. G. Warburg, to be reported to the London Stock Exchange.

GEC, however, will not be tied to any fixed timetahle for sending out an offer document unless it commits itself to making a formal bid.

Mr James Prior, chairman of GEC, a Conservative MP and a former Cabinet Minister, said the company had told the Government on Monday that it planned to make an

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Singapore exchange to reopen tomorrow

By Chris Sherwell in Singapore

SINGAPORE'S stock market, where trading has been suspended this week because of threatened defaults by local broking firms, will reopen tomorrow after a Government-inspired accord which ensures that obligations will be honoured and promises to reform the exchange.

The agreement unveiled last night includes a S$180m ($84.2m) standby credit supplied to the exchange by the country's big four local banks and rule changes allowing banks and foreign interests to participate more directly in the market.

Details were given at a rare press conference convened by the powerful Monetary Authority of Singapore, the island state's equivalent of a central hank. According to the six monetary authority officials present, together with the five members of the stock exchange's executive committee and five senior local bankers, the accord was designed to instil bank and investor confidence in Singapore's hroking industry.

Trading on the neighbouring Malaysian exchange in Kuala Lumpur, which is linked to the Singapore market, is also expected to restart tomorrow, although it was not clear whether it would continue with the type of forward transactions which lie behind the present crisis.

Under yesterday's accord, Singapore trading will resume on an immediate delivery basis only. One-month or "settlement" trading remains suspended indefinitely and the controversial forward transactions – of three, six and 12 months' duration – have beeo forbidden altogether.

Singapore suspended dealings last weekend after Pan-Electric Industries, a local marine salvage, hotel and property group, was placed in receivership. The company was committed to share purchases it could not meet, threatening certain local brokers with beavy losses and trouble for the market as a whole.

The S$180m standby credit will be used to ensure that obligations are honoured for any broking firm facing insolvency. Precisely how many of Singapore's 24 domestic stockbrokers are at risk is not known. Officials also decline to reveal the total amount of forward share transactions outstanding.

The proposed reforms include changes in exchange rules to allow banks and other outside interests to take an unspecified equity stake in local broking firms. The Government will also introduce radical changes to the Securities Industry Act, probably by early next year.

Brokers agree to toe line, Page 21

EEC leaders break logjam over EMS

BY QUENTIN PEEL IN LUXEMBOURG

BRITAIN and West Germany yesterday agreed to bring monetary affairs within the scope of the Treaty of Rome, in a move which could break the logjam at the EEC summit in Luxembourg seeking to finalise a package of Community reforms.

The surprise agreement was reached as the 12 EEC leaders, including Spain and Portugal, were struggling with the fine detail of planned amendments to the founding treaty, intended to streamline and revitalise Community institutions.

It marks a climbdown in principle by both Mrs Margaret Thatcher, the British Prime Minister, and Mr Helmut Kohl, the West German Chancellor, both of whom had decided that monetary questions should be kept out of the package.

In return, they have agreed to a text which will have no appreciable effect on the current control of monetary and exchange rate policy in the EEC and member-states – and which will possibly make future development of the European Monetary system even more difficult, according to national officials.

Currently, the Treaty of Rome contains general aspirations towards deepening economic co-operation between member-states. The EMS was created by an inter-governmental agreement putting it outside the control of Community institutions.

British and West German approval only came when it was clear that the proposed Treaty amendment would not lead to any greater sacrifice of national sovereignty over economic affairs.

The deal also makes any future development of monetary policy affecting EEC institutions subject to the full reform process of a unanimous inter-governmental conference and ratification hy national parliaments – instead of simply unanimity in the Council of Ministers. The establishment of a full European Monetary Fund as a Community central hank would be subject to this procedure.

The monetary hreakthrough came as the heads of state and government battled through mounds of paperwork and amendments, seeking to narrow their differences on reforms, and "striving for agreement," according to one spokesman.

They were still locked in negotiations last night, trying to agree on ways of granting bealth safeguards for Britain and Ireland and environmental protection for Denmark in the overall plan to speed up comple-

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Background, Page 2

Pan-European chip company on target

BY ALAN CANE IN LONDON

EUROPEAN Silicon Structures (ES2), a new, pan-European semiconductor company established to exploit the growing market for custom-designed microchips, is well oo the way to completing its financing on schedule.

It is thought to have raised $25m from six big European industrial companies and is looking for up to a further $20m from institutional investors. Together with $20m of loans provided by banks and government institutions, the company should be able to raise a total of $65m.

The ES2 prospectus is expected to be published later this week, and the company's directors have begun a tour of large European institutional investors.

Of the six European companies believed to be involved in the financing, four are thought to be named in the prospectus as having entered into co-operative agreements with ES2. These are Brown Boveri of Switzerland, Olivetti of Italy, Philips of the Netherlands and Saab-Scania of Sweden.

Sources close to the company say British Aerospace has confirmed that it plans to enter into a co-operative agreement and purchase shares, subject to the approval of its board of directors.

ES2 has apparently concluded agreements with a sixth, unnamed company and is negotiating with two others. The company's equity funding cannot exceed $45m.

The company plans to use advanced methods to simplify the design and manufacture of complicated microchips. It intends to build its own semiconductor fabrication plant, although its first silicon products are expected to emerge in the

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Botha lifts emergency rule in eight districts

BY JIM JONES IN JOHANNESBURG

MR P. W. BOTHA, the South African President, last night lifted emergency rule in eight of the 38 magisterial districts affected. He said the "revolutionary climate" in the country's black townships was "fast losing momentum."

In almost two years of unrest, more than 935 lives have been lost in township violence. In July this year, the authorities imposed a state of emergency in some of the most affected areas, giving the security forces wide-ranging powers.

Announcing the move, Mr Botha said: "Elements that are ideologically opposed to orderly reform, and that went out of their way this year to drive communities in South Africa towards a violent confrontation with each other, are being defeated."

The banned African National Congress (ANC) has vowed to make the country's black townships "ungovernable." The ANC said last weekend that the recent spate of landmine explosions on the country's northern border and a rocket attack on an oil-from-coal plant were part of the escalatioo of their guerrilla campaign.

Five towns affected by Mr Botha's move are in the Eastern Cape, where black boycotts of white businesses are being lifted. The end to the boycotts, which have hit white-owned shops, followed negotiations between black and white community leaders and led to the withdrawal of soldiers from black townships and the release of several prominent local black leaders.

Earlier in the day the authorities relaxed the strict measures that usually surround the funerals of the victims of township violence.

Tens of thousands of mourners, including diplomats from 11 Western countries, packed Mamelodi soccer stadium near Pretoria for the funeral of 12 blacks killed by security forces during an anti-government protest march last month.

The deaths occurred in one of the most violent incidents in the country since the state of emergency was imposed. A two-month-old baby and an elderly man were among the victims when a protest march at Mamelodi was broken up.

The Mamelodi funeral was attended by diplomats from Britain, the Netherlands, the US, West Germany, Canada, Belgium, France, Italy and Sweden. They drove in a convoy from Pretoria to the funeral.

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Survey spotlights apartheid, Page 4

Japanese bank chief foresees 'managed floating' currencies

BY JUREK MARTIN IN TOKYO

THE industrialised world is now embarked on "an experiment towards a managed floating-rate system" of currency values, according to Mr Satoshi Sumita, the governor of the Bank of Japan.

The Group of Five (G 5) meeting of finance ministers in New York on September 22 had espoused economic fundamentals. It had even specified "policy programmes" for participating nations, including an expansion of domestic demand for Japan and West Germany, he said.

Although Mr Sumita praised the new US recognition of the need for co-ordinated intervention in the currency markets, he obliquely criticised President Ronald Reagan's Administration for failing to live up to its side of the compact by reducing its fiscal deficit.

He thought the US Federal Reserve was pursuing a correct, cautious monetary policy, which had brought interest rates down a little, albeit slowly. But he felt it would be difficult for the Fed to cut its discount rate in the near future unless other developments, presumably on the fiscal side, permitted.

In any event, tha G5 goals could not be sustained forever by relying only on intervention in the markets. Economic policies, as well as intervention, also required alignment. "We are," he said, "just one step closer to the situation where the yen rate stabilises autonomously."

In a wide-ranging speech in Tokyo, and in answering questions, the Japanese central bank governor promised that Japanese monetary policy would contioue "very much to have an eye" on the exchange rate. Cutting the domestic discount rate would probably weaken the yen and thus run counter to existing policies.

Mr Sumita repeated that the Bank of Japan had no "target zone" for the yen but merely wanted to establish its strength. Asked if a value of Y200 to the dollar constituted a psychological barrier in the markets, be conceded that such barriers did exist, citing the case of DM 2.50 to the dollar.

Equally, be agreed that an excessive capital outflow could weaken the Japanese currency. But if this drain was roughly balanced hy the current account surplus, "it becomes a more natural transfer of funds" and not necessarily a source of weakness. The yen has in fact appreciated in the last two months in spite of continuing capital outflow of about $7bn in October and November.

Mr Sumita said that it did not seem that higher interest rates in Japan, which have contributed to narrower differentials with the US, had made much impact on the Japanese capital outflow.

The central bank's policies had, he said, administered "a Sumita shock" to the domestic bond markets, short and long-term. He argued, however, that this was a necessary medicine because long-term yields had been going down "excessively" before they were corrected. Short-term rates would continne to be fine tuned to protect the yen's value.

CONTENTS

DRAFT TREATY OBLIGES EEC GOVERNMENTS TO CONSULT

Closer co-ordination of foreign policy likely

BY IVO DAWNAY IN LUXEMBOURG

EEC SUMMIT LUXEMBOURG

EEC GOVERNMENTS have taken an important step towards closer co-ordination of their foreign policies by agreeing a draft text for a Treaty on European Political Co-operation.

Although the treaty will not be formally endorsed until other aspects of EEC reform are complete, it will be the first move by European governments to impose treaty obligations on foreign policy co-operation. The EEC's founding Treaty of Rome does not cover non-commercial foreign policy. However, attempts to co-ordinate national positions on major issues have become increasingly important and successful since the early 1970s, and to a considerable extent the new treaty will codify what is already established practice.

Nevertheless, several governments led by Britain's, have argued the case for deepening political co-operation by means of a treaty which, at the very least, imposes an obligation on members to consult each other before taking a position on key international issues.

Some states have remained dubious, however, with Greece expressing doubts as to the value of a treaty and Ireland nervously guarding its status as a neutral power.

The question of co-operation over security and relations with the Western European Union and Nato at first looked set to jeopardise Irish and Greek approval for the treaty. But a final draft by the Luxembourg presidency appeared to resolve this problem by saying only that it "shall not preclude" closer co-operation between certain contracting parties on security within the WEU and Nato framework.

Nevertheless, an earlier paragraph underlines the view that close liaison on security would contribute "in an essential way" to developing an identity for European foreign policy.

There have also been wrangles over how the new treaty could be put in context regarding the role of the Treaty of Rome and the other EEC institutions — the Commission, Council and Parliament. The British have been determined to resist the creation of an expensive and verbose bureaucracy. The compromise—seemingly acceptable to all—is to create a small secretariat, parallel to the European Commission and directly responsible to the European Council.

The main aims of the draft treaty are necessarily generalised, though not without importance. They are as follows:

- An undertaking by member states to consult on foreign policy issues, in order to exercise effectively their combined influence.
- The establishment of common principles and objectives.
- Close liaison between foreign ministers and the Commission, ensuring that EEC and political co-operation objectives are coherent.
- The adoption of common positions in international institutions such as the United Nations.
- Closer liaison between member states' missions in third countries.
- Agreement to inform and take soundings from the European Parliament on political co-operation issues.

Surprise monetary deal proves unsurprisingly modest

BY QUENTIN PEEL IN LUXEMBOURG

THE FIRST deal reached yesterday by the EEC leaders—subject to overall agreement on a package of reforms — was surprising on monetary measures, the one question on which both Britain and West Germany wanted no text at all.

The end result, however, is modest in the extreme, doing little more than stating the obvious about monetary policy in the Treaty of Rome. It rules out any major reforms without further formal treaty amendment, approved by all national parliaments. None the less, it includes the words "economic and monetary union" in the treaty text, as well as references to the European Monetary System (EMS) and the European currency unit (Ecu).

The agreed amendment worked out overnight in negotiations between West German and British officials, and then in bilateral discussions involving the European Commission and other member states, pledges the member states to economic co-operation. The aim, already set out in the treaty, is for each to "ensure the equilibrium of its overall balance of payments and to maintain confidence in its currency, while taking care to ensure a high level of employment and a stable level of prices."

The new text will add that in co-operating "they shall take account of the experience gained in co-operation in the framework of the EMS and with the Ecu, while respecting existing competence."

The other specific amendment is to write into the treaty that any further development requiring institutional changes must follow the procedure of formal treaty amendment, through an inter-governmental conference, ratified by national parliaments. The Commission, the EEC monetary committee and the committee of EEC central bank governors would all have to be consulted.

The amendment also includes a preamble, recalling the occasions when the member states have committed themselves to the ultimate goal of "economic and monetary union": in Paris in 1972, and in Bremen in 1978, when the EMS was founded.

Why Italy wants more powerful Parliament

BY JAMES BUXTON IN ROME

ITALY'S TRENCHANT insistence on radical reform of EC institutions, including a sweeping advance in the powers of the European Parliament, is based on a combination of immediate and more long-term motives.

It has proposed that the parliament be granted powers similar to those of national parliaments, including the right to amend proposals from the Council of Ministers at a first reading and to reject proposals by simple majority at a second reading.

The Government has argued that only with a stronger parliament can an unrestricted internal market be achieved. Such a market would never have been achieved in the US, it believes, if there had been only the equivalent of the European Commission in Washington.

One immediate reason for the Italian insistence on its demands at the summit is that Mr Bettino Craxi the Prime Minister and Mr Giulio Andreotti, the Foreign Minister, were instrumental in the decision of the Milan summit in June to go for an inter-governmental conference to discuss ideas for reform, rather than settle for what Italy regards as the "minimalist" British approach to change that would not require a new treaty.

This gives Italy a vested interest in holding out for a big change in EEC institutions rather than settling for something that could have been achieved without the pain of the Milan summit.

Mr Andreotti has recently become a convert to the idea of closer European unity. He and Mr Craxi are well aware that the concept of greater European integration is popular with the public in Italy, where each political party tries to outdo the next in being pro-European.

At a deeper level Italy has long been in the uncomfortable position of being the weakest of the four big EEC countries (France, West Germany, Britain and Italy) and not willing to pose as the strongest of the remaining smaller states. If power were shared in a more democratic manner through the European Parliament, Italy's interests might be better protected, it is felt here.

Italian MPs have far fewer reservations than those from other countries about transferring some of their powers to Strasbourg. Yet some Italians question whether MPs in Rome realise to what extent Italy's national interest could be challenged by a strong European Parliament.

They point to the fact that there are far more instances of the Italian Government and Parliament failing to implement Commission directives and those of the European Court than there are of other EEC members. These range from Italy's long resistance to the Davignon plan for steel capacity cuts to its refusal to adapt its laws on hunting and shooting.

Mr Francesco Forte until recently the Minister for European Affairs, and a man close to Mr Craxi, said earlier this year: "Every political party tries to present itself as being the most pro-European of the lot. But in practice, most of our politicians and bureaucrats think and operate in a basically un-European way, despite the fact that most Italians are pro-Europe in an abstract sense."

Mr Giulio Andreotti: Convert to closer European integration

Problems face Mitterrand on Caribbean tour

By David Housego in Paris

THE FRENCH President, Mr Francois Mitterrand, travels to Martinique and Guadeloupe in the Antilles today for what is likely to prove a difficult three-day visit.

Both islands are French overseas territories where demands for independence have been stirred as was the case in New Caledonia—by the expectations created by the Socialists coming to power. In Guadeloupe, there was extensive violence earlier this year as elements of the independence movement turned to terrorist action.

In an interview before leaving, Mr Mitterrand made a strong condemnation of violence and terrorism. He said: "Whoever resorts to terrorism will have to deal with the force of the law and hence repression."

The independent movements, none the less, are looking to Mr Mitterrand for some gesture towards increased autonomy before the general election in March, which is likely to bring a right-wing government to power in France.

Mr Mitterrand did not rule this out in his interview. He said that changes in the constitutional status of the islands were a question for discussion. But he added that the "immense majority" of the electors in Guadeloupe and Martinique had expressed the wish to remain part of France.

In the presidential election of 1981, Mr Mitterrand scored only 19.4 per cent of the votes in Martinique and 21.5 per cent in Guadeloupe. In the latter, the local administrations have declined to lay on buses to bring the local population to see the President.

Bonn holds talks on strike laws

BY RUPERT CORNWELL IN BONN

THE WEST GERMAN government, unions and employers will meet again today, against a background of rumbling labour unrest, in a new bid to reach a compromise in the dispute over a campaign to toughen the laws governing strikes.

The second round of talks follows an inconclusive first session between the three parties on Monday evening. By common consent, the prospects for real agreement are murky at best. But it is clear that all three are anxious not to be saddled with the blame for having provoked a collapse in negotiations.

The row revolves around demands from a broad swathe of the ruling centre-right coalition —notably the liberal Free Democrats (FDP), about 130 MPs from Chancellor Helmut Kohl's Christian Democrats (CDU) and the Bavarian-based CSU of Mr Franz Josef Strauss to do away with a clause in labour legislation obliging the state to pay workers idled by strikes in supplier plants.

The leeway this gives unions to mount strikes was illustrated by last year's seven week stoppage in the engineering industry in support of a 35 hour week. Selective all-out strikes in a handful of key component factories quickly brought the national car industry to a virtual standstill.

After a complicated legal battle, the federal labour office in Nuremberg was eventually forced to pay those laid off, at an estimated cost of DM 200m (£54m).

Since then demands have grown for an end to this loophole.

In spite of the agreement to talk, the two sides still seem far apart. The Government appears to be aiming for a compromise where a more restrictive policy would only apply to the immediate area in which a strike had been called. Workers in other parts of the country affected would be able to claim lay-off benefits from the Nuremberg agency.

The unions have dismissed this as a sham, and on Monday organised brief protest stoppages in hundreds of factories, notably in the engineering heartland of Baden-Württemberg, around Stuttgart.

Pay negotiations resume in Italy

BY JAMES BUXTON IN ROME

ITALY'S PRIVATE sector employers yesterday resumed negotiations with the trade unions with the aim of achieving a major revision of the wage indexation system and setting guidelines for pay contract negotiations. The talks were broken off last month when differences between the two sides became too wide.

Then, last week, the Government initialled an agreement with its own 800,000 civil servants which entailed a change in the scala mobile indexation system. The unions now want to apply to the private sector the formula agreed for the civil service.

Confindustria, the private sector employers' association, is determined to resist this. It argues that the formula would actually increase the degree of automatic protection against inflation and therefore reduce the space for pay bargaining and for widening pay differentials which companies are anxious to obtain.

The existing scala mobile triggers every three months and gives a flat-rate pay rise of L6,800 (about £3) for every point by which the index rises.

Under the system agreed with civil servants, it will trigger every six months. Employees will receive 100 per cent protection against inflation on the first L580,000 of their monthly pay, and above that they will be compensated for 25 per cent. Confindustria argues that, if this system were applied to private-sector pay, it would increase the total degree of protection from 49 to 52 per cent.

The employers are also resisting a union demand for a two-hour cut in the working week to an average of about 38 hours. The civil servants are to have their working week cut from 38 to 36 hours.

The Government is urging the employers to reach a settlement fast and to follow the guidelines it has laid down. Mr Bettino Craxi, the Prime Minister, told a union congress last week that he found it "incredible" that there was still no agreement.

Jaruzelski visit provokes French outcry

By Paul Betts in Paris

THE SURPRISE visit to Paris of General Wojciech Jaruzelski the Polish leader, provoked a storm of protests in France yesterday with major trade union movements including the pro-Socialist CFDT confederation and right-wing opposition parties condemning President Francois Mitterrand's decision to receive him.

General Jaruzelski arrived in France last night for talks with President Mitterrand today. It is his first visit to a West European country since the "state of war" was declared in Poland in December 1981.

The French Government gave no official explanations for the sudden visit except to say that the Polish leader, who had been on a tour of North African countries including Algeria and Libya, had asked for a meeting with President Mitterrand.

The French section of the Polish Solidarity union called the French agreement to receive General Jaruzelski a betrayal. Right-wing opposition leaders criticised the visit as inconsistent with the French Government's so far generally firm position against the Soviet bloc.

The Government said the talks today would only last one hour.

General Jaruzelski is expected to seek French economic backing. He wants help for a further rescheduling of Poland's debt, for new international credits and for his country's efforts to join the International Monetary Fund.

President Mitterrand is expected to ask for concrete signs of improvement in human rights in Poland.

Dutch stand firm on N-decision despite Nato's disapproval

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT, IN BRUSSELS

NATO DEFENCE ministers have strongly criticised the Dutch decision to reduce the number of nuclear roles it performs in alliance strategy. It decided to maintain only two of its so-called nuclear tasks when it agreed at the start of this month to deploy 48 US cruise missiles as part of the Nato-wide deployment.

Mr Jacob de Reiter, the Defence Minister, said yesterday the decision would not be rescinded. Dutch forces would not retain nuclear-tipped artillery and would no longer operate F-16 fighters nor its Orion maritime patrol aircraft with nuclear weapons.

A senior Nato official said the defence ministers, discussing the Dutch moves in a restricted session of the Defence Planning Committee here yesterday, were "profoundly unhappy" at the implications. They clearly fear that other governments will come under pressure from their electorates to reduce their own nuclear roles.

It is not clear whether other nations will be expected to take over the Dutch roles. Mr de Reiter said yesterday that his government would phase out the nuclear weapons concerned gradually in parallel with the cruise missile deployment which is due for completion in 1988.

The Dutch action appears to have been the only serious point of dissension at the meeting which ended unexpectedly early yesterday with a communique which made much of Nato's new emphasis on improving its conventional defences.

Lord Carrington, the secretary general, spoke of the important new political impetus which he believed ministers had given to collaborative armaments production within the alliance. Nato now has firm plans for conventional defence improvements and what is called a conceptual military framework, endorsed yesterday, to provide a 20-year planning framework for operational concepts, forces and weapon systems.

After the meeting, Mr Caspar Weinberger, the US Defence Secretary, who held a brief meeting with Mr Michael Heseltine, his British counterpart, said he believed their two countries were now close to signing an agreement on British participation in the US Strategic Defence Initiative. There was basic agreement on essentials. Points of a legal, technical or drafting nature remained to be cleared up.

Mr Heseltine said they were working towards signing the agreement before Christmas. He also met colleagues from West Germany, Italy and Spain to discuss approaches by the US and France for involvement in the four-nation European Fighter Aircraft project.

Alliance proposes pact on reducing troops in Europe

BY PATRICK BLUM IN VIENNA

NATO (the North Atlantic Treaty Organisation) yesterday presented an informal proposal at the talks here on reducing conventional forces in Europe, according to Warsaw Pact officials.

It takes up elements of an earlier Warsaw Pact proposal by suggesting a phased agreement, with an initial withdrawal of US and Soviet troops to be followed by a three-year freeze of forces, Western officials said.

The proposal envisages tight verification procedures. After the initial troop reduction each side would present data on the number of forces it maintains in the area.

The figures would be checked by observers and by inspection of each others's forces during the freeze period. Provided both sides were satisfied, further troops reductions could then be negotiated. The proposal, however, does not establish a direct link between the initial steps and future troop reductions.

The proposal was put informally at a meeting of ambassadors in Vienna yesterday in advance of a plenary meeting on Thursday.

"A new element in the proposal is that we would agree to an initial withdrawal of US and Soviet troops without prior agreement on data," one Western official said.

In the past Nato has sought to draw up a comprehensive agreement, and insisted that both sides had to agree on the respective size of their forces before an agreement could be signed. This has been a central dispute between the two sides with Nato arguing that the Warsaw Pact had at least 170,000 more troops in the area than it was ready to admit. The Warsaw Pact said both sides should agree to reduce their forces regardless, at least during an initial stage.

Last February the Warsaw Pact put a proposal which envisaged a phased agreement with an initial reduction of 20,000 troops by the Soviet Union and 13,000 by the US. According to Western officials Nato is proposing that the Soviet Union should withdraw 11,500, and the US 5,000.

Britain yesterday backed current efforts to revitalise the Western European Union, writes Paul Betts in Paris. Baroness Young, Minister of State for Foreign Affairs, defended progress made so far in a speech to the WEU assembly.

She said that after 18 months of hard work "the coming year will see the rapid growth of a regenerated, leaner and more effective WEU." European security was indissolubly linked to that of the US "and that is why we have every intention of using the WEU . . . to reinforce and strengthen the vital link across the Atlantic."

Sweden outlines timetable for ending nuclear power

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

THE SWEDISH Government yesterday outlined its timetable for closing the country's 12 nuclear reactors during the first decade of the next century.

The last station only began full commercial operation a couple of months ago, but the country's minority Social Democratic Government is still holding to the decision of the 1980 referendum which calls for them all to be phased out by 2010. Mrs Birgitta Dahl, Swedish Energy Minister, says it "is one of the basic goals of energy policy."

The timetable presented yesterday calls for the Government and the Swedish Parliament to decide in 1990 on a detailed plan for energy conservation and the promotion of alternative energy sources. Five years later, parliament should approve a schedule for the full phasing out of nuclear power, together with the necessary legislation for closing down each of the reactors. Actual phasing out would begin towards the end of that decade.

Sweden today has one of the highest per capita levels of nuclear power generation in the world. By next year, nuclear power should be providing half its electricity consumption.

Industry has begun to warn about the heavy costs of abandoning nuclear power and recent opinion polls have suggested that anti-nuclear feeling is weakening. Mrs Dahl insists, however, that "those who today doubt the possibilities for phasing out nuclear power are quite simply uninformed."

The Government also wants to cut oil and coal consumption to a minimum.

The minister maintains that the present energy situation is radically different from the position planned for during the 1970s. Swedish energy consumption is only 60 per cent of that forecast 10 years ago.

Ireland urged to double investment

THE Confederation of Irish Industry said yesterday that Ireland needed to double its level of investment in industry to sustain manufacturing growth rates at levels required to combat 17 per cent unemployment and close the gap in living standards with other EEC countries, writes Hugh Carnegy in Dublin.

In its submission on the budget due in January, the CII said the annual role of inflation should be held at 3 per cent in 1986 compared with the present 5.5 per cent. Public spending should be held steady in real terms to help reduce the budget deficit, a record 8 per cent of gross national product.

The Confederation said growth in manufacturing output in 1985 slipped to 5 per cent from 13 per cent in 1984 mainly due to a slowdown in the electronics sector. Annual investment of I£1bn (£850,000) was needed to sustain growth at the required 8 to 10 per cent per annum but present levels were only about half this.

The CII also recommended cuts in tax on dividends, a reduction in capital gains tax from 40 per cent to 20 per cent, "over the counter" security markets and borrowing concessions for small companies.

Mugabe feted in Moscow

Mr Robert Mugabe, Zimbabwe's Prime Minister, has been accorded top honours on his first official visit to Moscow, writes our Moscow correspondent. The Soviet leadership gave a determinedly cordial welcome to Mr Mugabe, whose relations with Moscow have been strained in the past by Soviet support of Mr Joshua Nkomo, his chief political rival, during the fight for independence in Rhodesia.

In his turn, Mr Mugabe sealed what he termed a "mission of friendship" by signing a bilateral economic and technological accord and a pact to increase co-operation between the Soviet Communist Party and his own Zanu-PF.

US aims TV at E. Europe

The US is planning to establish with West German help its first TV station to beam programmes into an East European country, writes Leslie Colitt in Berlin. Officials here said the US wants to set up a station in West Berlin, 110 miles inside East Germany, where it could reach most German viewers. It would be attached to RIAS, the radio station in West Berlin operated by the US State Department and financed by Bonn, which has millions of listeners in East Germany.

The Americans are insisting on control over the station, which would be staffed mainly by Germans.

Hungary seeks savings boost

writes Patrick Blum in Vienna. Hungary is to introduce incentives to encourage personal savings following a decline in the volume of new savings deposits this year. Personal savings deposits grew by only Forints 11bn (£156m) this year compared with Ft15bn-F20bn a year during the past five years, the Hungarian news agency MTI says.

To encourage savings banks are introducing more attractive forms of deposits with higher interest. Next year, the National Saving's Bank, which accounts for the bulk of personal savings deposits, will introduce a supplementary pension savings scheme coupled with a life assurance. Other measures will encourage competition.

Denmark plans demand curbs

The Danish Government is expected to announce measures today to reduce domestic demand and stop the deterioration of the current account which reached a record DKr 22bn (£1.6bn) deficit in this year to September, writes Hilary Barnes in Copenhagen.

The measures are expected to include special deposits by banks and savings banks with the central bank, a freeze on public sector construction projects, and an energy equalisation tax (to compensate for the fall in energy prices this year).

US-Turkish links tested as Congress considers Armenian commemoration

BY DAVID BARCHARD IN ANKARA

A DRAFT resolution due to come before the US Congress in the next few days has increased strains in Turkish-American relations as the two countries struggle to agree on a defence and co-operation agreement for the next five years.

The resolution, which appears to be a revival of one which tested Turkish-American relations in the autumn of 1984, would make April 24 a day of commemoration for Armenians allegedly massacred during World War One. Turkey rejects claims that there were any Armenian massacres and regards the resolution as unacceptable.

Turkey's dealings with the US are tense because talks for the renewal of the defence and economic co-operation agreement seem to have run into a stalemate with a wide gulf between the two sides. If the agreement is not renewed before the middle of this month the existing agreement will presumably carry on.

Turkey is a key North Atlantic Treaty Organisation (Nato) ally of the US. It has a standing army of nearly 600,000. It borders with two Warsaw Pact powers including the Soviet Union, it has a key role in Western electronic intelligence gathering from the Soviet Union, and it is well placed for the defence of the Middle East.

Turkey has, however, always drawn a distinction between its regional interests and its obligations as a Nato member, refusing to step outside the strict limits of the latter. It has also traditionally been eager to avoid offending either the Soviet Union or its Arab neighbours.

After Egypt and Israel, Turkey ranks as the third largest recipient of US aid, receiving just over $900m (£620m) annually. Turkish officials say this is insufficient to maintain its army, and also that discussion of the amount to be granted is bedevilled each year by malicious opposition in the US Congress from Greek and Armenian lobbyists.

Turkey is believed to have been pressing for seven major points in the talks this autumn. It is thought to want: a higher level of US aid, perhaps about $1.2bn a year, and this to be guaranteed over five years; the removal of Congress's ratio of seven to 10 on military aid for Greece and Turkey, and an end to congressional pressure on Greek and Armenian issues; more economic aid; more joint ventures in the arms industry; a reduction of foreign military sales loans in favour of grants; a reduction in interest payments on loans already made; and the possible conversion of the agreement into a full treaty.

The US is believed to want more freedom to use bases in Turkey for purposes such as the use of the Rapid Deployment Force to defend the Gulf.

The negotiations should in theory have been concluded by December 18 but no one in Ankara believes that is likely.

A visit last month to Moscow by General Necdet Urug, the Turkish Chief of General Staff, though not linked to the talks, was regarded as containing a pointed warning to the Americans in its timing.

A visit to Ankara on November 2 by Mr Michael Armacost, the US Under-secretary of State, attempted to set Turkish fears at rest. Mr Armacost pointed out that the US was helping Turkish defence efforts in a wide range of ways including the purchase of Rapier ground-to-air missile systems. He promised Administration support to tackle what he called "alien factors," presumed to be a reference to ethnic lobbyists opposed to Turkey.

Americans appear to feel that Turkey's demands are beyond the power of any US Administration to extract from Congress.

It is assumed, however, that the US-Turkish alliance, the corner stone of Turkey's foreign and defence policies, is not in real jeopardy. "The bargaining may be tough," but there is no doubt that an agreement, probably very much along the lines of the present one, will be reached eventually," says one Western diplomat.

FINANCIAL TIMES

Published by The Financial Times (Europe) Ltd., Frankfurt Branch, represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, F. Barlow, R.A.F. McClean, G.T.S. Damer, M.C. Gorman, D.E.P. Palmer, London. Printer: Frankfurter-Societäts-Druckerei-GmbH, Frankfurt/Main. Responsible editor: C.E.P. Smith, Frankfurt/Main, Guiollettstrasse 54, 6000 Frankfurt am Main 1.

FINANCIAL TIMES, USPS No. 190640, published daily except Sundays and holidays. U.S. subscription rates $365.00 per annum. Second class postage paid at New York, N.Y. and at additional mailing offices. POSTMASTER: send address changes to FINANCIAL TIMES, 14 East 60th Street, New York, N.Y. 10022.

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AMERICAN NEWS

Liberals sweep to victory in Quebec election

BY ROBERT GIBBENS IN MONTREAL

THE QUEBEC Liberals swept to victory in Monday's Quebec election, winning 99 seats in the 122-seat National Assembly. The Parti Quebecois, with its long-term aspirations for independence, was reduced to 23 seats from 60.

But Mr Robert Bourassa, 52, leading an extraordinary political comeback for the Liberals, narrowly lost in his own Montreal constituency by 329 votes. Mr Pierre Marc Johnson, 39, leading the PQ, kept his seat in another Montreal constituency by a small margin, but will have to quit as Premier. Eighteen PQ cabinet ministers went down to defeat.

Mr Bourassa will form his Cabinet within the next 10 days, open the National Assembly on December 16 and call a by-election as soon as there is a suitable vacancy so that he can enter the National Assembly.

The Liberals won 56 per cent of the popular vote, up from 46 per cent in 1981, and the PQ 39 per cent. Seven fringe parties shared 5 per cent but did not win any seats.

The Liberals say they have a margin of about C$500m (£243m) to begin making tax cuts. The objective is to bring Quebec taxes down to the Ontario level. They promise better economic management, negotiations with Ottawa on signing the 1982 constitution, a new form of Quebec nationalism, renewal of investment creation, and possibly further large scale hydroelectric construction.

On the very sensitive question of language a Liberal Government is expected to relax the restrictions on public advertising in English. But it will not drop the primacy of French in Quebec affairs established by the PQ.

Mr Bourassa, his team buttressed by several well-known names from the business world in Montreal, will probably have a mini-budget by Christmas to bring in some initial tax cuts promised during the campaign.

Two contenders mentioned for Minister of Finance are Mr Daniel Johnson, 41, brother of the PQ leader, and Mr Pierre MacDonald former vice-president of the Bank of Montreal. Mr Herbert Marx, a constitutional law expert, will almost certainly become Justice Minister.

The Liberals under Mr Bourassa took power in 1970, won a landslide victory in 1973 but were then tossed out in 1976 by Mr Rene Levesque and the PQ.

Navy halts fresh work with General Dynamics

THE US Navy said General Dynamics, the nation's third biggest defence contractor, will be suspended temporarily from new military contracts following a grand jury indictment against the company on Monday, Reuter reports from Washington.

Navy officials, who asked not to be identified, told Reuters the temporary suspension was expected to be announced late yesterday.

General Dynamics, which builds ballistic missile and attack submarines, was indicted in Los Angeles yesterday on charges of conspiring to overcharge the government in connection with work on the Divad anti-aircraft gun programme.

It would be the second suspension for the company this year. The Navy earlier barred General Dynamics in connection with expense account charges, but lifted that suspension in August.

Mr Caspar Weinberger, Defence Secretary, said in a televised NBC interview yesterday that the company would not get any new government business until the latest charges were cleared up and problems in connection with the charges were corrected.

The indictment by a Los Angeles grand jury accused General Dynamics of overbilling the government by more than $7bn between 1978 and 1981 to make up for cost overruns on the since-cancelled Division Air Defense (Divad) gun.

Economic indicators in US up by 0.3%

By Stewart Fleming in Washington

THE US Government's index of leading economic indicators rose a moderate 0.3 per cent in October continuing the steady gains it has been making since May, the Commerce Department reported yesterday.

The increase was welcomed by Mr Malcolm Baldrige, Commerce Department Secretary, who said that the increases are "consistent with the recent pickup in overall economic growth."

He said that "past relationships show that average gains of 0.5 per cent per month in the leading indicators are consistent with (the Administration's 1985 target) 4 per cent growth in real gross national product."

The Commerce Department also revised up from 0.1 per cent to 0.4 per cent the gain in the index for September.

Private economists continue to differ widely over the economic outlook. Many question whether the expansion is as vigorous as the third quarter rise in real GNP at an annual rate of 4.3 per cent reported last month seems to suggest.

Mr David Wyss, an economist with Data Resources, a US economic consulting firm, said yesterday he expects no real growth in the first quarter of 1986, but an acceleration to a real annual rate of 4 per cent in the second half of the year.

Separately Mr Preston Martin, the vice chairman of the Federal Reserve Board, told a conference in Washington that the Central Bank "would do its part" to sustain the economic expansion next year."

He said that 1986 could see a recession even if economic policy is supportive of expansion.

● Republican Party leaders hinted yesterday that President Reagan would not reject the tax reform Bill which the House Ways and Means Committee was scheduled to approve later and which is expected to clear the full House of Representatives shortly. "He may be stuck with it" Mr Robert Dole, Senate majority leader, said after he and other Republican leaders had met with the President.

In the footsteps of Columbus

BY HUGH O'SHAUGHNESSY, LATIN AMERICA CORRESPONDENT

AFTER alternating between ogling and pulling faces at each other in recent years, Western Europe and the countries of Latin America are finally starting to talk to each other. That, anyway, is the hope of those involved in the establishment this year of Irela, the Institute for European-Latin American Relations.

The idea of setting up an independent forum in which European and Latin Americans could meet on equal terms to work out ways of tackling common problems was mooted at the end of 1982 by a group of scholars, officials and journalists.

They argued that Latin America had well-established links with the US through the Washington-based Organisation of American States and the European Community had relations with its former colonies through the Lomé Convention, but that Latin America and Western Europe had no such permanent forum.

An organising committee was formed and mobilised support among Latin American and European governments, in the European Commission and in the European and Latin American parliaments. Last year the European Parliament in Strasbourg approved the first grant to Irela, allowing it to start a programme of meetings, research and the gathering and dissemination of information. Its budget next year with money beginning to come in from Latin America as well, could exceed Ecu 1m ($870,000).

Irela has found temporary accommodation in Madrid on the eve of Spain's accession to the Community and has received a warm welcome from Many Spanish politicians, keen on making their country the new axis of European-Latin American relations.

In Latin America itself, the Governments of Argentina, Peru, Brazil, Venezuela and Costa Rica have expressed interest in setting up its Latin American headquarters in their countries.

The work of getting off the ground has fallen principally to Dr Wolf Grabendorff, a former correspondent for German television in Buenos Aires who went on to work for a federal German Government think tank near Munich.

He has had to overcome suspicions that Irela would be too Right wing or too Left wing, doubts about the Community's willingness to support the new venture and concern among Latin Americans that the Institute was merely a public relations exercise for the Community.

As Irela's full-time director, he works with the original organising committee among


Mr Wolf Grabendorff . . . winning support from both sides

whose members are Mr Allan Wagner, the Peruvian Foreign Minister and Mr Alain Rouquié, the French ambassador in San Salvador. Advising the Institute is an influential international committee whose membership ranges from novelists Graham Greene and the Mexican Carlos Fuentes to Adolfo Suárez, the former Spanish premier.

In the course of this year Irela has helped to organise *inter alia* three conferences on Central America in Brussels, Mexico and Costa Rica, the first inaugurated by Mr Claude Cheysson, the European Commissioner, and former French Foreign Minister.

Next year's programme includes a conference on Latin American debt in Lima, staged with the help of the Peruvian Government and the Council of Europe, a gathering on economic co-operation in Montevideo sponsored with the Uruguayan Government and the UN Economic Commission for Latin American and the Caribbean, and a seminar on the Falklands issue to be held in Milan.

The new Institute's work will not be wholly political. Industrialists and bankers in both regions have shown interest, and Irela hopes to sponsor some gatherings on themes such as the transfer of technology between the two regions. Cultural matters will also be pursued.

There is certainly no lack of work for Irela to tackle. With the signature last month of a pact between the Community and Central America and the continuing overhang of Latin America's international debt, relations between the two regions will deserve a great deal more study and interpretation.

Some governments are already laying plans for the 500th anniversary of Columbus's voyage of 1492, the first recorded episode in Europe's relations with the New World. Irela expects to be involved in that commemoration.

Hugh O'Shaughnessy is one of the founder members of Irela.

McDonnell Douglas wins Star Wars missile contract

BY OUR U.S. EDITOR IN WASHINGTON

THE PENTAGON has selected McDonnell Douglas to design and test an interceptor missile to destroy incoming nuclear warheads in the upper atmosphere as part of President Ronald Reagan's Star Wars space defence programme.

The new weapons would be used at heights of less than 300,000 feet to mop up warheads that had penetrated the outer layers of the defensive shield.

The proposed McDonnell Douglas missile, to be known as Hedi (high endoatmospheric defence interceptor) would complement a much longer-range missile, for which the Pentagon awarded the contract to Lockheed last month. Both would be launched from fixed ground-based sites, in accordance with the 1972 anti-ballistic missile (ABM) treaty, the Pentagon stressed.

The Lockheed missile, known as Eris (exoatmospheric re-entry vehicle interceptor system), would attack warheads in mid-flight more than 60 miles above the earth. Eris would seek to destroy its targets by impact, without the use of explosives, but Hedi would unleash a barrage of non-nuclear explosive fragments.

The Pentagon declined to estimate the value of the proposed five-year contract with McDonnell Douglas, saying that negotiations would be held in the coming weeks to work out the details. It has told Congress, however, that it wants to spend roughly $421m (£284m) on the project in the next two years.

The Pentagon said McDonnell Douglas Astronautics, of Huntington Beach, California, as prime contractor, would be responsible for awarding several major sub-contracts. Martin Marietta, of Orlando, Florida, was the losing bidder

US army reserves 'not ready' for war in Europe

BY REGINALD DALE, US EDITOR, IN WASHINGTON

THE US could have considerable difficulty rushing enough army reserves to Europe to hold the line in the early stages of a conflict with the Warsaw Pact, according to a report by the independent Congressional Budget Office (CBO).

The quality of US reserves has improved over the past three years, but most reserve units are rated unready or only "marginally ready" for combat, the report says. The CBO finds "considerable cause for concern, especially in the equipment area." It suggests that they would be 25 per cent short of their needs in dollar terms by 1988 for critical equipment items.

In the first 30 days of a major war in Europe, 42 per cent of all the US Army's required forces would have to be made up by reserves, the CBO says. Nato strategy is to blunt a Warsaw Pact conventional attack by pouring in reinforcements from the US, so as to avert the need to "go nuclear."

The report suggests, however, that the reserves would be better able to meet their requirements in the later, rather than the early stages of a war—particularly as the army is continuing to increase its reliance on reserves for combat support (artillery, engineering and armoured cavalry) and combat service support.

The reserves would be required to play a much greater role earlier in the conflict than in past wars, the report says.

The army could meet its requirements for deploying reserve combat units, but shortfalls of 30 per cent or more could occur in combat support and combat service support in the first 30 days, the CBO says.

Brazil to repay part of failed banks' debt

By Richard Foster in Brasilia

BRAZIL'S Central Bank has announced that a 25 per cent payment will be made on unguaranteed debts of three banks which the Government closed down in an emergency action two weeks ago.

The Central Bank offer would include a payment of 25 per cent against some $450m (£304m) in loans made by foreign banks to Banco Comind, Banco Auxiliar and Banco Maisonnave.

Two weeks ago Fernao Bracher, the Central Bank president, said Brazil would not cover the potential loan losses of foreign banks. The money is owed to an estimated 100 banks including major and regional banks in the US and at least one major British bank.

The Central Bank's previous refusal to honour the foreign credit was expected to create difficulties for Brazil in future talks with its foreign creditors. In past years the Brazilian government had covered such losses.

Mr Bracher travels to New York next week to seek a renewal of the country's short term interbank credit now totalling $16bn. Mr Bracher also needs banker support to reschedule Brazil's $100bn foreign debt without International Monetary Fund monitoring which the Brazilian government rejects.

The announcement that Brazil will pay a proportion of the banks unguaranteed foreign loans is an indication that it has softened its tough stance in the hope of winning concessions on larger debt problems.

Comind and Auxiliar were the country's eighth and fifteenth largest banks respectively. The Central Bank closed them down after repeated failed attempts to nurse the banks back to health with infusions of taxpayers' money.

The foreign loans were made to the failed banks at the beginning of this decade without direct government guarantees. The banks then re-lent the money to private Brazilian borrowers. About 10 per cent of the $450m is still in Central Bank coffers unlent. The remainder is owed by large Brazilian companies with good credit ratings according to the Central Bank.

OVERSEAS NEWS

Aquino to oppose Marcos in presidential poll

BY SAMUEL SENOREN IN MANILA

MRS CORAZON AQUINO, widow of assassinated opposition leader Benigno Aquino, announced yesterday that she would run for President against Mr Ferdinand Marcos whom she accuses of having her husband killed.

The announcement, made at a press conference in Makati, a suburb of Manila, drew a standing ovation from hundreds of cheering supporters and ended months of speculation on who would be Mr Marcos' opponent in the presidential election set for February 7.

Mrs Aquino picked Mr Salvador Laurel, the former senator, as her running mate for the vice presidential slot but he has yet to consent to the draft. Mr Laurel also aspires to the presidency although some opposition leaders believe he may settle for the number two slot.

An Aquino-Laurel ticket would pose a formidable challenge to Mr Marcos who called the election in a bid to overcome the country's deep-seated political and economic problems.

Mrs Aquino's announcement came a few hours after President Marcos signed a Bill setting up a special presidential election which he claims will prove he still enjoys widespread popular support.

Asked what she felt about the acquittal of General Fabian Ver, the armed forces chief accused of conspiring to kill her husband in 1983, Mrs Aquino said she was "flabbergasted."

"If General Ver can't even provide security for one man (referring to her husband) how can the same man defend 4m Filipino's?" she asked.

Gen Ver's reinstatement by Mr Marcos drew an adverse reaction from US officials who had warned Mr Marcos it would not sit well with the US Congress.

A number of US Congressmen have warned they would seek an end to US military aid to the Philippines if Gen Ver was reinstated.

Mr Marcos said yesterday, however, the US had already withheld release of $60m (£40.5m) worth of military equipment under a US military assistance programme.

Gen Ver's return to power is expected to become a major political issue during the campaign.

In the meantime, however, the special election is being questioned by a group of lawyers and opposition legislators who asked the supreme court yesterday to declare it unconstitutional.

The petitioners, led by the Philippine Bar Association, contended that no special presidential election could be held unless the presidency was vacant.

To circumvent the provision, Mr Marcos had offered to resign but only after the elections, contending that the action satisfied the constitutional requirement.

Narcotics trade is dilemma for Egypt

By Tony Walker in Cairo

WHEN THE price of dollars in Egypt's black market shot up recently, part of the blame in banking circles was placed on demand by drug dealers for hard currency to satisfy a booming local trade in hashish and increasing use of heroin and cocaine.

Estimates of the value of illegal drugs sold locally range up to $1bn, which is equivalent to more than half the cost of Egypt's annual food imports.

The authorities are deeply concerned about Egypt's growing reputation as a big market for narcotics. Gen Ahmed Rushdi, the Interior Minister, recently said he was considering rounding up all smugglers and dealers in narcotics under the emergency law in force since the 1981 assassination of President Anwar Sadat.

Gen Rushdi said he was also considering the drafting of a Bill requiring mandatory capital punishment for people caught smuggling or trading in "white poisons," namely heroin and cocaine.

The sentencing this week for narcotics possession of Magda Khatib, one of Egypt's best known actresses, to five years' jail with labour, has served further to focus public attention on the problem.

Gen Mohamed Hosni Abdel Azim, deputy chief of the Narcotics Bureau, described heroin trafficking as a "big problem" and said amounts seized this year had increased sharply.

In the seven months to the end of July, seizures totalled about 55kg of heroin compared with 19.2kg for the whole of 1984 and 11kg for 1983.

The total number of those charged with drug use in Egypt from January 1 to July 30 was 4,294, a big increase over the corresponding period last year. Gen Azim said the main sources of heroin imports were Lebanon, Syria, India and Pakistan.

There are no reliable figures about drug use in Egypt. Estimates of the number of users (mainly hashish) range up to 750,000 and the number of heroin addicts could be as high as 100,000.

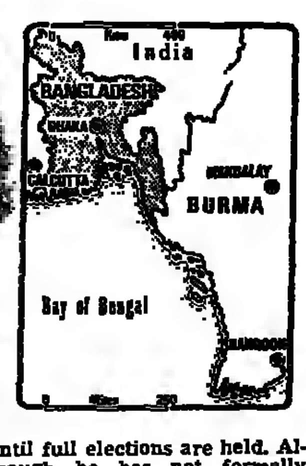
Gen Azim said the street value in Cairo of heroin from Lebanon or Syria – the premium variety – was about E£100,000 ($73,000).

A recent World Health Organisation survey of 700 students at Cairo University showed 36.4 per cent had tried hashish or other drugs.

In the 1920s, Egypt was a major centre of drug addiction. It has been estimated that at one time there were as many as 500,000 drug addicts out of a population of 14m.

John Elliott talks to Bangladesh's military head, who has promised return to democracy

Ershad trawls for political support



"YOU STUDENTS have education. It's your job and duty to tell the people in your village to boil pond water before they drink it. Do you expect the Government to boil the water for you? This isn't America, you know: this is a poor country and you can't depend on government for everything."

The speaker was President Ershad, military ruler of Bangladesh, who interrupted a helicopter tour of rural administration centres in the Ganges delta on Monday to investigate a suspected cholera outbreak in the village of Nilcbiti.

The tour was part of Lieut General Ershad's bid to establish himself politically as a popular civilian president while at the same time checking on the efficiency of new local government centres.

This weekend the Bangladesh President acts as host to the first-ever summit of South Asian leaders, including Mr Rajiv Gandhi of India and Gen Zia ul-Haq of Pakistan. He is anxious to demonstrate that he is running a moderate style of military rule and is not an oppressive dictator.

"I intend to hold elections in 1986 and this time I am quite sure that they will take place on the declared date," he said yesterday in an interview in his Dhaka home.

He said he would not cancel the elections as he did earlier this year, just because opposition parties threatened to boycott them. Although he would not confirm dates until after he holds talks later this month with political parties, the elections are likely to take place in next March or April or in November.

"The opposition parties are afraid to go to elections," he said, airing a view widely held in Dhaka. "They have played into my hands and made a mistake by boycotting the elections and giving me more time—and maybe now I have earned the confidence of the people of the country." He described his military dictatorship as "more democratic than those who have ruled here in the name of democracy."

Gen Ershad seized power in a bloodless army coup in March 1982 and has governed the country's 100m population, 80 per cent of whom are below the poverty line, with relatively few major civil or economic problems.

Earlier this year, in a referendum widely regarded as rigged, he was elected President until full elections are held. Although he has not formally declared himself a full Presidential candidate, he said yesterday: "If the people want me to be President, why not?"

His aim now is to establish sufficient support for himself and the parties that back him within a new Jatiya (national) Front so that he and they can be elected legitimately to full Presidential and parliamentary terms.

This would mean a defeat for the established opposition parties, apart from the Jamaat I Islami party, which has been gaining appeal in this gently Moslem country. The others are rapidly losing credibility.

Martial law would end after the elections but Gen Ershad wants a continuing role for the army, which at present has five of its 25 serving major generals in the Cabinet and other senior officers administering the regions and judicial system.

Some generals feel however that the time has come to pull back into their barracks and are worried about the army being weakened by corruption, which is increasing among some officers, especially those involved in the judicial system. But other officers are less keen to give up power and none is thought willing to pull out until Gen Ershad is strong enough politically to defeat the old opposition parties.

Like Gen Zia in Pakistan, Gen Ershad does not want his country's old political parties to return to power. Both are having considerable success in exposing and exploiting their parties' poor leadership, lack of popular policies, and general ineffectiveness.

In both countries general apathy and despair about the abilities of the parties, rather than enthusiasm for the military rulers, have kept the two generals in power. In neither country is there any indication outside urban areas of a widespread wish to upset relatively benign administrations.

"The poor know they will be kicked by whichever government is in power, so why should they help the political parties which have failed in the past, when the new rulers might actually be worse than the army," says a distinguished former Bangladesh public servant.

General Ershad is credited by many people however for having introduced a new tier of local councils which give devolved executive responsibility to elected representatives and increase local involvement in development schemes.

About 460 of the councils, called upazilias and covering an average of 260,000 people, have been set up in rural areas during the past two years, staffed by civil servants from Dhaka but headed by local chairmen.

Gen Ershad has visited 370 of them in the past two years, talking to councillors, officials and farmers about practical problems. He has been developing a popular political image, which does not come easily to this withdrawn and stern-looking 55-year-old soldier.

On Monday he wore civilian clothes—grey trousers and a light blue open-necked shirt and pullover—but flew in a khaki Air Force helicopter accompanied by senior officers and sten-gun carrying soldiers all in camouflage battle dress.

Many of the upazilla chairmen have switched their allegiance from old opposition parties such as Awomi League and the Bangladesh National Front, to pro-Ershad parties in the Jatiya Front, often in order to ensure a steady flow of the development funds of taka 10m (about £330,000) a year which are allocated to each of them.

It is in Nilchiti and the other upazilias that Gen Ershad hopes to establish his political base. "The days of the old political parties are over, and their present leadership cannot deliver anything to the nation. We need a new younger generation," he said.

It is a view that is developing generally in the country, and one for which the disorganised opposition parties have only themselves to blame.

Top Australian bank lifts prime rate to record level

BY MICHAEL YHOMPSON-NOEL IN SYDNEY

WESTPAC Banking Corporation, Australia's biggest private trading bank, will raise its prime lending rate to a record 19.75 per cent next Monday. The other major banks are expected to follow suit.

The recent surge in interest rates stems partially from Australia's continued strong economic growth combined with rising inflation, lax monetary conditions and further weakness of the local dollar.

In spite of that, figures published yesterday by the Bureau of Statistics indicated that new fixed capital spending by the private sector is expected to rise by as much as 17 per cent in 1985-86, to A$18.7bn (£8.9bn).

The Bureau's latest investment survey was conducted in the first week of last month, since when interest rates have risen further, which will help depress spending plans.

Nevertheless, the Government said yesterday that it was encouraged by signs of a significant pick up in investment planned by manufacturing industry which could rise up to 25 per cent this financial year.

The Australian dollar closed slightly lower yesterday at US$67.75 cents, while 90-day bank bill rates reached 19 per cent and longer term bond rates rose sharply.

The Government's pay pact with Australia's unions—now nearly three years old—has helped spur economic growth, restore profits, and reduce unemployment.

But Australia's inflation rate is about 8 per cent and rising, while money market confidence has been sapped by sharp broad money growth and growing concern over the balance of payment outlook.

In October Australia recorded a record trade deficit of A$552m

Anthony Robinson examines the latest study by the Institute of Race Relations

South African survey spotlights apartheid system

EVERY YEAR the South African Institute of Race Relations produces a survey which shines an unblinking light on the country's all-pervasive apartheid system.

This year the survey runs to a record 991 pages, a compendium of all aspects of South African life, from trade unions to deaths in detention, from shebeens (illegal drinking dens) to homeland politics, the state of the economy and foreign relations.

The survey acts as a social early warning system, carrying this year a special section on changing attitudes towards the Government by the business community and its increasingly vocal commitment to reform and dialogue. The early signs of growing conflict between black political groups are noted in a 100-page section devoted to white, coloured (mixed-race), Asian and black politics and to the new constitution.

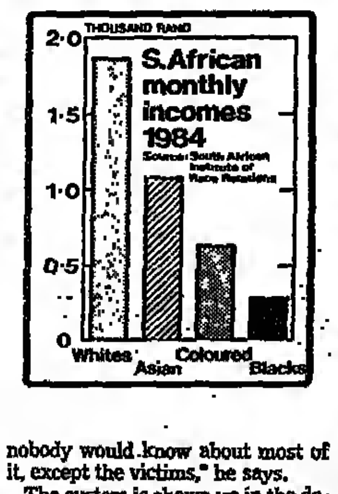
The director of the institute, Mr John Kane-Berman, believes its existence is proof of the tenacity of the liberal tradition in South Africa, as well as the central role of race in the South African dilemma.

Mr Kane-Berman, author of the most authoritative account of the 1976 Soweto uprisings, believes South Africa is torn between black anger and white fear. "There is no future outside of a practical compromise between them," he says.

The Government has lost faith in the apartheid blueprint, he believes, but observes that "when an entire political structure, with hundreds of laws to back it, has been built up over 40 years with the single overriding purpose of imposing apartheid in every nook and cranny of national life, it cannot simply be stopped overnight."

He says that President P. W. Botha, faced with unprecedented foreign as well as domestic pressure for the abolition of apartheid, has taken to mocking those who fail to see that South Africa has moved on to what he now likes to call an era of "co-operative co-existence."

Mr Kane-Berman is adamant that apartheid is still extensive and all-pervasive. "Without our report nobody would know about most of it, except the victims," he says.



The system is shown up in the details of the survey. Average monthly household incomes in 1984 were R273 (about $103) for blacks, R624 for coloureds, R1,072 for Asians and R1,834 for whites.

The average expenditure on a black school child was R234 against R1,654 for a white child. The ratio is seven to one, but 14 years ago, before the Government committed itself to raising black educational standards, the ratio was 18 to one. In the meantime, the black school population has increased enormously.

Racial reclassification in 1983 under the Population Registration Act, the linchpin of racial legislation, converted four whites into coloureds, 462 coloureds into whites, 15 Indians into Malays and 71 blacks into coloureds, the survey says.

It shows that black workers in the gold mines earned an average of R285 per month in 1983, compared with R1,566 for white miners.

"We publish the figures and the data and it is up to our readers to do what they like with them," Mr Kane-Berman says. Government attitudes have changed over the years from outright hostility and suspicion to acceptance of the institute's uncomfortable but impartial approach.

To maintain the institute's independence Mr Kane-Berman has reorganised it, raised membership charges and made it virtually self-financing.

Income from membership has quadrupled to R335,000 in 15 months with large foreign and domestic corporations paying R5,000 for corporate membership and smaller companies R1,500. Individual members pay R40.

Business has increasingly recognised the value of the institute's data base and analytical skills in providing the facts for its own appeals to Government for faster progress towards reform.

The institute's continuing existence is probably one indication that South Africa may be able to find the strength and the means to evolve the kind of complex multi-racial partnership towards which it is groping in such a painful and traumatic way.

Race Relations Survey 1984, SAIRR Box 97, Johannesburg, South Africa. $26 surface. $36 air mail.

WORLD TRADE NEWS

Deng gives Japan tough warning on need to balance trade

BY ROBERT THOMSON IN PEKING

THE Chinese leader, Deng Xiaoping, has issued a stern warning to Japanese officials that unless trade between the two countries is balanced, further economic contacts will be "impossible."

Sino-Japanese trade has become a sensitive political matter here, following a series of student protests against China's close links with Japan and, as the students have called it, Japan's "economic invasion."

Mr Deng's warning came during a meeting with a delegation from the Japanese Association for the Promotion of International Trade, led by the association's chairman, Mr Yoshio Sakurauchi.

The Chinese news agency, Xinhua, said Deng told the delegation that it was "of great importance" for Japanese authorities to "explore ways of developing trade between the two countries, which is by no means an easy task."

Diplomats expect that Japan will record a trade surplus this year of around $6bn (£4.2bn). China's imports from Japan more than doubled in the first half, while exports rose only 11.2 per cent. Last year Chinese imports totalled $7.21bn while exports were $5.95bn.

Several Chinese officials have told Japan that the trade deficit must fall, but rarely has such a warning been issued by the Chinese leader.

"If the imbalance in Sino-Japanese trade is not corrected, it is impossible for China and Japan to further their economic contacts and trade," Xinhua quoted Deng as saying.

"It is all right for China to suffer a deficit in its trade for the first and second years, but certainly not for a third year." He said the Chinese Government will work with the Japanese Government and businessman to solve the trade problem.

China has taken a tough line on imports since the middle of this year, particularly tightening control on consumer goods and motor vehicles, for which Japan had been the largest supplier. The Chinese were particularly disturbed by a slump in foreign exchange reserves, a slump blamed mainly on a flood of imports.

Numerous articles have appeared in the Chinese press recently pointing out that close economic ties with Japan were a necessary part of the modernisation drive, though the reports have also suggested that bilateral trade will need to be balanced.

Students, who have protested in several Chinese cities, have accused the Japanese of dumping poor quality goods on the Chinese market and questioned the wisdom of closer economic links.

The protests came in the wake of celebrations to commemorate the 40th anniversary of the end of what is known here as the "Anti-Japanese War."

HK chooses consortium for harbour tunnel

By David Dodwell in Hong Kong

THE HONG KONG Government has chosen the consortium that will be awarded the fiercely-contested HK$3bn (£278m) contract to build the territory's second cross-harbour tunnel, but for "technical" reasons will not announce its decision until tomorrow.

The front-runner to win the contract is a mainly-Japanese consortium headed by Kumagai Gumi. This consortium recently strengthened its team by incorporating the China International Trust and Investment Corporation (CITIC) as a financial backer, and the civil engineering groups Paul Y of Hong Kong, and Lilley Construction of the UK.

The contract to build the Eastern Harbour crossing, which will link Quarry Bay on Hong Kong Island with Cha Kwo Ling in Kwun Tong on the mainland, is one of the biggest civil engineering contracts being tendered in Asia. The tunnel which will carry road and rail traffic is due to be in use in 1989.

Of the original nine consortia that bid for the contract only the one headed by Gammon of Hong Kong remains a serious competitor to Kumagai Gumi. The Gammon consortium includes Nishimatsu and Mitsubishi of Japan, and GEC of the UK.

Hong Kong's Executive Council, the Territory's inner cabinet, yesterday ended months of deliberation when it reached a final decision on placing the contract.

Normally the decision would have been announced immediately. The Government refused to specify why delay was necessary, but insisted it was due to purely technical reasons.

UK talks key to new steel pact

BY PAUL CHEESERIGHT IN BRUSSELS

THE IMMEDIATE future of the wide-ranging four-year steel sales restraint agreement the EEC has negotiated with the US depended yesterday on the outcome of talks between the British Steel Corporation (BSC) and the US Trade Representative's Office in Washington.

The UK has withheld endorsement of the agreement. It is seeking an assurance from the Reagan Administration that BSC will be permitted to supply semi-finished products to the new high-technology mini-mill owned by Tuscaloosa Steel of Alabama.

Unless the UK signals final acceptance of the sales restraint agreement, EEC industry ministers will meet in Brussels today to discuss the position.

Semi-finished products are not subject to quantitative restrictions in the agreement. But the fear is that an increase in sales will prompt the US to impose import curbs.

The UK wants to avoid this so that next year BSC can supply 250,000 tonnes of semis to Tuscaloosa and increase shipments in the following years.

The US is understood to accept BSC supplying 200,000 tonnes in 1986. This would be in addition to the 400,000 tonnes it is prepared to allow the EEC as a whole before taking unilateral import safeguards.

Already, the US has suspended "immediate delivery" privileges which speed Community steel through customs procedures.

But the UK is concerned about what will happen after 1986. It is accepted that the US will not want to be committed to a specific tonnage.

So BSC negotiators in Washington have been looking into the US position to see whether there is flexibility to permit tonnages higher than 200,000 through the use of a mechanism which would allow higher sales in the event of short supply in the US.

Tuscaloosa Steel is apparently pressing the Reagan Administration to accommodate BSC. It claims that its high quality of plate will displace plate imports on the US market. In addition the Reagan Administration may be sympathetic in the hope that this will bolster the chances of a threatened Republican Senator from Alabama in next year's elections.

If the UK holds back from accepting the overall agreement, then the Reagan Administration would probably be forced to place unilateral restrictions on the whole range of EEC steel sales from January 1.

This would provoke retaliation and open the prospect of a more damaging trade dispute with the EEC than has been seen in recent years.

But the UK has been under intense pressure from its EEC partners not to jeopardise the whole agreement for the sake of one product.

European steel companies, anxious for stability on the US market, have been urging their governments to express displeasure with the UK.

Finns win right to market Soviet data

By Oli V. Virtanen in Helsinki

FINNAV, the Finnish communications and marketing company, has won sole rights to market information from the central data bank of the Soviet Foreign Trade organisations, to Scandinavian customers.

Similar agreements will be signed this month with two other companies for marketing rights in Britain and France.

The Soviet data bank, completed this autumn, aims to cover all the import needs of the various Soviet foreign trade organisations. It also lists forthcoming projects inside the Soviet Union.

Finnav will commence marketing in early 1986. Initially information between Helsinki and Moscow will be conveyed by courier but in a few months Finnav hopes to have an on-line connection.

Finnav believes the deal could be worth "tens of millions of Finnmarks" to itself.

Airbus to sell 10 A-320s to US leasing company

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

AIRBUS INDUSTRIE, the European airliner manufacturing group, has achieved another breakthrough into the US market, with an agreement from GATX Leasing, of Chicago, for 10 Airbus A-320 150-seat airliners, worth over $300m (£214m).

Formal contract negotiations will now begin, and a contract is likely to be signed some time next year. The leasing company has also taken an option on an undisclosed further number of A-320s.

GATX already owns 42 aircraft, ranging from Boeing 747 long-range Jumbo jets through to short-to-medium range McDonnell Douglas MD-80s, which it leases to airlines in the US and overseas.

It will receive four A-320s in 1990, four more on 1991 and two in 1992. Potential lessees are not yet disclosed.

Leasing is a growing phenomenon in the aircraft procurement market. The lessor company buys the aircraft outright, and then leases them to airlines for variable periods. The airlines thus avoid the heavy interest burdens involved in equipment procurement.

Firm orders for A-320s to date amount to 90 aircraft, but options, letters of intent, and other undisclosed commitments involve the eventual sale of another 174 aircraft, including the 10 now covered by the GATX agreement.

ANSETT Transport Industries of Australia has signed the formal contract for eight Airbus Industrie A-320 twin-engined 150-seat jet airliners, worth $380m, (£271m), first announced at the Paris Air Show last summer.

The airline has taken options on another nine aircraft, all to be powered by CFM International (Snecma of France and General Electric of the US) CFM-56-5 jet engines.

French group in battery venture with Japan

By Paul Betts in Paris

SAFT, the industrial batteries and accumulators subsidiary of the French nationalised CGE electronics and engineering group has signed an industrial joint venture agreement with Japan Storage Battery (JSB) to expand its penetration of the Japanese and Far East markets.

SAFT and its Japanese partner plan to invest FFr 150m (£12.5m) to build a cadmium-nickel accumulator manufacturing plant at Kyoto. The two companies in joint venture, called GS-SAFT, will have an initial capital of Y2bn (£6m).

The French group has been seeking to increase the international range of its business. It has also decided to concentrate on the industrial battery and accumulator sector and recently sold its consumer battery business to a group including Mr Bernard Tapie, the French entrepreneur.

S. Koreans link with Tunisia on steel plant

By Francis Ghilès

TWO South Korean companies, Pusan Steel Pipe Industrial and Samsung, are forming a joint venture company with the Société Industrielle d'Acide Phosphate et d'Engrais (SIAPE), the state Tunisian company, to manufacture steel pipes.

The new company will be capitalised at $10m (£7m), of which Pusan Steel will hold 19 per cent, Samsung 11 per cent and the Tunisians 70 per cent.

Pusan Steel will invest an additional $22m to construct a plant near the town of Sfax, near Tunis, and the country's second largest industrial centre.

Pakistan plans to launch countertrade experiment

BY MOHAMMED AFTAB IN ISLAMABAD

PAKISTAN plans to launch a countertrade experiment which could be worth as much as $2bn (£1.4bn) in a bid to find new markets.

The Ministry of Commerce has already selected three European companies to undertake countertrade worth $1bn, the Minister of Commerce, Mr Salim Saifullah Khan, said.

Sukab of Sweden and Marco of Switzerland will undertake $400m each and Mitsubishi of Japan $200m.

Mr Khan added: "We intend to select a few more, say four or five to engage in countertrade."

"We are signing only one-year contracts and we will be strictly monitoring the progress of the experiment."

"With these three parties the total trade envisaged is of $1bn, half a billion each way ... Another $1bn will be contracted with the other four or five parties to be selected."

Pakistan wants to import oil, tea, edible oil, and fertiliser, and to export cotton, garments, leather, hides and skins, fruit and vegetables, engineering, foods, rugs and carpets, and surplus steel-mill products.

Some of these items have been hit by a declining international market and intensive competition.

Pakistan's annual exports are around $2.5bn while imports are $6bn.

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Unilever appoints new UK chairman

By Tony Jackson

UNILEVER, the UK side of the Anglo-Dutch consumer group, is to appoint Mr Michael Angus chairman on the retirement of Sir Kenneth Durham in May.

Mr Angus is seeo as the third most senior man in Unilever. Together with Sir Kenneth and Mr Floreot Maljers – chairman of the Dutch end of Unilever – he sits on the powerful three-man special committee which forms group policy.

Mr Angus, aged 55, has spent his working life with Unilever. His appointment to the special committee in 1984 came as a reward for bringing back into profit ooe of the group's biggest and most troubled subsidiaries, Lever Bros of the US.

The third member of the special committee on Sir Kenneth's retirement will be Mr Johao Erbe, 58, at present a vice chairman of Unilever NV in the Netherlands and chairman of the group's overseas committee. Unilever has tended to alternate the Dutch/English majority on the three-man special committee as a means of maintaining parity between the two sides of the business.

Mr Erbe's place as head of the overseas committee is going to Mr Patrick Egan, a director of Unilever plc. His promotion is seen as reward for the successful disposal of a number of UK-based subsidiaries.

Unilever is also to bave its first American board member, Mr Wallace Gruhman. Mr Gruhman has spent his career with the US chemical group National Starch, which Unilever acquired for $485m in 1978 at a time when Mr Angus was group head of chemicals. Mr Grubman is chairman of National Starch.

Big banks drop charges and prompt price war

BY CLIVE WOLMAN

A PRICE war broke out yesterday between British banks with 15m customers benefiting from the introduction of free banking if their accounts stay in credit.

A year after Midland Bank introduced free banking National Westminster announced the introduction of a similar service, admitting that it has suffered for the first time an absolute decline in the number of its personal customers this year. A few hours later, Barclays and Lloyds responded hy also announcing the introduction of free banking.

According to Mr Alastair France, a hanking analyst at stockbrokers Laing & Cruicksbank: "This will mean a small dip in their pre-tax profits but the banks had to do it to stop losing market share to the building societies and smaller banks. They could not continue to incur such opprobrium from their customers. It was extremely stupid of them not to have done it earlier."

BANK CUSTOMER GAINS/LOSSES IN 1985
(attributed to free banking)

Bank	Branches	Customers	Change
Barclays	2,900	6.0m	–60,000 (to Midland/TSB only)
NatWest	3,200	5.1m	–60,000 (–40,000 to Midland)
Midland	2,200	4.0m	+450,000 (inc. the formerly unbanked)
Lloyds	2,300	3.6m	–36,000 (–24,000 to Midland)

Mr Philip Girle, general manager of NatWest'a domestic banking division, estimated that the change would lead to a fall in NatWest's income from current account charges from £98m to £80m. About 37 per cent of NatWest's customers are expected to pay charges under the new structure compared with 49 per cent now.

However, NatWest estimates that over the last year it has lost about 60,000 customers to banks exempting current account holders from charges if they stay out of the red. Of these about 40,000 went to Midland, the rest to the TSB and some of the smaller banks. In addition, NatWest estimates that it has lost about 100,000 new customers with no previous bank account who would have joined NatWest if its competitors had not been offering free banking.

Barclays and Lloyds have extended their free banking provisions further than NatWest, to customers whose average current account balance over the charging period is £500, even if their account is temporarily overdrawn during the period.

Imperial Group enters stores joint venture

BY LISA WOOD

THE IMPERIAL GROUP, the Courage beer and Players cigarette company, and the Circle K Corporation, a big US convenience stores operator, yesterday announced a UK joint venture into American-style "convenience stores."

The stores, which remain open outside normal trading hours, are a growth sector in Britisb retailing with large companies such as Guinness, the hrewing and retailing group, opening similar outlets in the last few years.

The partnership between Imperial Brewing and Leisure, a division of the Imperial Group, and Circle K bas taken over a year to plan.

Imperial Brewing and Leisure, which controls over 6,000 retail outlets including puhlic houses, newsagents and beer, wine and spirits shops, is providing 75 per cent of the capital.

Mr Michael Pickard, chairman of Imperial Brewing and Leisure, said: "We know that the convenience store is one of the most important innovations to hit the retail scene. With our experience in retailing we are in an ideal position to make the concept work in Britain."

The group plans to open at least 100 Circle K stores in Britain in the next five years under direct ownership and there are also plans for franchised outlets. No details of the capital outlay bave been disclosed.

Sites for the stores are being sought although some existing Imperial outlets, such as its Finlays newsagents, could be converted if they are hig enough.

They will be open up to 16 hours a day, seven days a week and stock over 2,000 products. Imperial said it already handled 75 per cent of these goods through its other retail companies.

Circle K operates more than 3,100 stores in the US and also has 250 outlets in Japan. The entry into Britain is the start of expansion plans in Europe with Imperial Brewing and Leisure having the first right of refusal on other European continental ventures.

Earlier this week the Imperial Group launched a £1.22bn agreed takeover bid for United Biscuits, the Wimpy, Pizzaland and snack foods group.

International reserves fall by $334m

By Michael Prowse

BRITAIN'S gold and foreign currency reserves fell hy $334m in November, the Treasury said yesterday. At the end of the month, the reserves stood at $15,976m – well above the average level in recent years on account of the boost received in October by the Government's $2.5bn floating rate Euroloan.

After taking account of overseas borrowing and repayments, the underlying fall in official reserves last month was $201m. November was the fifth month in successioo in which the underlying total declined.

Officials stressed that the underlying change in reserves from one month to the next was the result of a "variety of transactions" and should not be taken as a guide to the vigour of the Bank of England's intervention in foreign exchange markets.

The underlying decline in both October and November was much larger than in previous months and would therefore have been consistent with increased intervention in the wake of the Group of Five finance ministers' meeting at the end of September.

Westland cuts jobs and halts recruitment

By Michael Donne, Aerospace Correspondent

WESTLAND, the troubled UK helicopter manufacturer, is to cut 742 jobs from its 8,500 labour force, as part of a cost-cutting drive intended to save up to £15m a year, and ensure the company's survival. Further redundancies are not ruled out.

The joh losses will be accompanied by a policy of no recruitment, a temporary halt to company contributions to the pensions fund and a reduction in overhead costs by cutting fringe benefits. Other plans include more competitive buying from outside suppliers, a drive for higher productivity and more cost-effective design.

Difficulties have been caused by a lack of new orders. This position could continue until the new Anglo-Italian (Agusta) EH-101 military and civil helicopter enters production towards the late 1980s.

Mr Hugh Stewart, Westland Group chief executive explaining the redundancies said the first priority was the survival of the company. "Our helicopters are not competitive in price. Government pricing policies are threatening margins in every activity," he said.

"The company has invested heavily in new product development and in capital expenditure and needs to improve profitability and cash flow in order to obtain the finance required to secure the future."

In the meantime, Mr Michael Heseltine, Defence Minister, has been discussing possible rescue measures with other European helicopter manufacturers.

Peter Riddell writes: The attempt to arrange a European rescue package is coming under increasing criticism within Whitehall, and among senior Tory MPs.

Ministers were trying to play down the significance of the suggested European consortium, being pushed by Mr Heseltine compared with the alternative of a joint investment by Fiat of Italy and Sikorsky of the US which is apparently favoured by Westland itself.

After intensive discussions, among several Whitehall departments it was pointed out that the choice between these options was a matter for the Westland board to make and ministers outside the Ministry of Defence took no view oo whether the European or the Fiat-Sikorsky options were preferable.

Thatcher pledges to strengthen control over City of London

BY PETER RIDDELL, POLITICAL EDITOR

MRS MARGARET THATCHER, the Prime Minister, last night pledged measures "to strengthen and extend the system of regulation" in the City of London. But she refused to go beyond the mixture of statutory powers and self-regulation to be proposed in the Financial Services Bill expected in a fortnight's time.

She was replying to a letter from Mr David Steel, the Liberal Party leader, expressing coocern about standards of behaviour in the City and calling for a revision of the hill.

Mrs Thatcher said she shared Mr Steel's concern at the damage which the misdemeanours of a few people could do to the reputation of the City. She said the new measures would be to ensure that traditionally high standards are properly maintained in the new trading systems which are emerging.

Mrs Thatcher, warning against condemning the bill before it has been published, said that a policy document last January had indicated the Government's determination to see "a strong combination of statutory powers and self-regulatory expertise and effort."

"I believe that this will be the most effective guarantee that high standards will be in force, with the maximum scope for honest enterprise," she said.

The Prime Minister stressed that steps already taken had improved the effectiveness of the prosecution of fraud but warned of problems of providing evidential proof to secure prosecutions. She said this was why the Government thought it important to add the knowledge and commitment of the leading financial organisations in the City to the new enforcement system.

Mr Steel said he doubted whether self-regulation of the City would be adequate "in order to settle widespread doubts on this matter."

"I would appreciate knowing as a matter of urgency the strength of the steps which you intend to take with the miasma of rumour which now surrounds respected City institutions," he said.

Mr Steel also asked the Prime Minister for an assurance that resources will be made available to the Director of Public Prosecution's Fraud Investigation Group "to ensure that financial wrongdoing in the City is detected and prosecutions follow, where appropriate."

Mr Steel said that previously Mrs Thatcher had made it plain that the police would be given all the resources they required to deal with the demands of law enforcement. He hoped that the same commitment applied to rooting out the financial irregularities which were harming the reputation of the City.

NEI forms European railway engine link

BY IAN RODGER

NORTHERN Engineering Industries (NEI) is to enter the diesel-electric locomotive business in the hope of benefiting from British Rail's ambitious plans to replace its ageing fleet.

NEI has formed a consortium with Brown Boveri of Switzerland and Krupp of West Germany to manufacture locomotives in the UK. The consortium believes the German-Swiss technology may appeal to BR, which has been critical of the performance of its British-made locomotives.

BR's fleet of 2500 diesel-electric freight locomotives is old. More than 90 per cent of them were built before 1970 and many date from 1952. Sir Bob Reid, BR's chairman, said last March that the railway expected to buy about 850 diesel freight locomotives over the next 25 years to replace its outdated equipment.

Sir Bob was highly critical of the existing UK manufacturers, which include BR's own subsidiary, British Rail Engineering (Brel) and two private sector companies, GEC and Hawker Siddeley.

He said there seemed to be a gap between the performance, availability and reliability of locomotives operating on BR and those manufactured elsewhere.

BL cars set sales record in Spain

AUSTIN ROVER'S sales in Spain are rising so strongly that the BL subsidiary is pressing for a substantial increase next year in the number of cars it can export to that country at a reduced rate of duty, **Kenneth Gooding writes.**

In November, Austin Rover sold 662 cars in Spain, against 125 in the same month last year. It was the highest monthly total the UK group has yet achieved. For the past three months in succession, the UK company has been the leading car importer in Spain.

Mr Peter Johnson, the company's director of export sales, pointed out yesterday that the November record represented an annual sales rate of about 8,000 compared with the 4,000 which Austin Rover was allowed to ship at reduced duty rates in 1985.

"We want a minimum lower-duty quota of 7,000 for 1986," he added. "That is not asking much, considering that Spain will ship over 100,000 cars to the UK this year and pay only a very low rate of duty."

□ PRUDENTIAL, Britain's largest life assurance company, bas entered the house mortgage market, aiming to provide up to £1.5bn of advances in the first year of operation.

□ MR JOHN BIFFEN, Leader of the House of Commons, dismissed claims that the Government had "rubbished" a Church of England report on the inner cities before ministers had seen a copy.

Mr Biffen left MPs in no doubt, bowever, that the Government regarded the report as the work of political innocents and had no intention of acting on its recommendations.

Inner-city decay, Page 9

□ MARKET FORCES should decide which of the four proposals to build a privately-financed fixed link across the English Channel would go ahead, says a report by stockbrokers Phillips & Drew.

The British and French governments expect to announce by the end of next month which of the plans, if any, will be allowed to proceed. The schemes must be entirely funded by the private sector.

EuroRoute, one of the groups wanting to build a fixed link across the English Channel, said yesterday that its scheme would create 8,000 jobs in Scotland.

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UK NEWS

Bedford truck chief recalled to GM luxury car division

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

MR J. T. BATTENBERG III, who for the past 2½ years has supervised a £90m major rationalisation programme at the Bedford commercial vehicle organisation in the UK, has been promoted within the General Motors group and called beck to the US.

GM said yesterday that his successor as chief executive and general manager at Bedford would be announced shortly. This suggests another American will be appointed once UK work-permit technicalities have been cleared away.

Mr Battenberg, 42, has become product manager of GM's Flint luxury car group, part of the new Buick-Oldsmobile-Cadillac group, in the US.

He joined Bedford in April 1983 from General Motors Continental, Antwerp, where be had been managing director for three years.

He took over in the UK shortly after Bedford had been separated from GM's Vauxhall car business and became part of the US group's world truck and bus organisation, based at Pontiac, Michigan.

Since then, at the cost of about £50m, Bedford's van operations at Luton, north of London, have been consolidated from 13 to two buildings, a new paint facility has been installed and lines set up to produce two light vans based on Japanese designs: the Midi (based on an Isuzu vehicle) and the Rascal (from a Suzuki design).

Bedford's truck capacity at Dunstable, also north of London, has also been reorganised from four into two buildings, and capacity reduced from 50,000 to 30,000 vehicles a year.

This expensive transitional phase in Bedford's history – Mr Battenberg describes it as "one of the finest examples of industrial regeneration to be found anywhere in the industry" – has contributed to the company's huge losses: £62.4m last year compared with £53.2m in 1983.

Bedford set itself a target of returning to operating profits next year, but Mr Battenberg recently admitted that the organisation would beve great difficulty meeting that objective.

Mr Battenberg joined GM in 1961 and spent most of his career with the group's car assembly division, GMAD.

Companies 'unaware of venture capital'

BY WILLIAM DAWKINS

FINANCIAL TIMES
VENTURE CAPITAL
CONFERENCE

BRITISH INDUSTRIAL companies pay scant attention to venture capital by comparison with their US counterparts, Ms Sue Lloyd, editor of UK Venture Capital Journal, said yesterday.

Speaking on the final day of the FT/British Venture Capital Association Financial Forum in London, Ms Lloyd pointed out that US corporations had for long used venture capital investment to gain access to new technologies. Increasingly, they were taking the process a stage further by forming joint ventures with such businesses.

Last year, for instance, US corporations made 195 strategic investments in venture-backed companies. In the UK, however, some large companies did not seem to be aware of what venture capitalists were doing.

Ms Lloyd pointed out that independently managed British venture capital funds – the fastest-growing sector of the industry – had raised £750m since 1979, more than half of which came in since the beginning of last year. About 40 per cent of the total came from pension funds, the largest investors in the field, though insurance companies were playing an increasingly important part in risk investment, she said.

About £630m had been invested in venture capital – excluding most of the placings made by 3i – in the three years to the end of 1984, of which £285m was disbursed last year alone. Individual investments were getting larger and more funds were following specialist investment strategies. Ms Lloyd said that 14 of the 18 new venture capital funds to have been launched this year were focused on specific industrial sectors.

The forum is designed to permit young companies to make presentations before an audience of potential investors and corporate advisers. Mr Colin Clive, managing director of the venture capital group Thompson Clive & Partners and vice chairman of the BVCA, said that 20 of the 42 companies to have appeared in the previous two forums had since raised further finance. Five of those attributed this to their appearance at the forum. Three had since achieved public quotations, while two had been taken over and two had gone into receivership. Thirteen companies made presentations yesterday.

Minister rejects cut in EEC import quota

BY KEVIN BROWN

AN INCREASE in the EEC production quota for British sugar beet cannot be obtained at the expense of a cut in the import quota for cane sugar from outside the Community, Mr John Gummer, the Minister of Agriculture, insisted in the House of Commons.

Mr Gummer said it was quite clear, however, that the production quota did not reflect historical production levels.

He was opening a debate on proposed EEC support arrangements for sugar and starch, which have provoked e bitter dispute between British beet producers and refiners of imported cane sugar.

Mr Gummer faced frequent interruptions in a debate on the Community proposals from MPs concerned that a cut in cane imports might affect jobs at Tate & Lyle's refinery at Greenock in Scotland. Other MPs were pressing hard, however, for an increase in the British beet quota, for which the beet producer British Sugar has been campaigning.

There was also strong opposition on the Labour benches to any reduction in the Community's imports of cane sugar, which it was feared would seriously damage producing countries.

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UK NEWS

ARCHBISHOP'S REPORT SHOWS DETERMINATION TO BE INVOLVED IN 'REAL WORLD'

Inner city deprivation deepens

BY ROBIN PAULEY

Mrs Thatcher (left) and Archbishop Runcie differ sharply on ways of halting inner city violence

THE ARCHBISHOP of Canterbury's commission of inquiry into the state of Britain's decaying inner cities concludes: "We have found faith in the city," which is remarkable given the unrelenting picture of deprivation, misery and abject poverty painted in its report.

Dr Robert Runcie set up the commission in July 1983 under the chairmanship of Sir Richard O'Brien, former chairman of the Manpower Services Commission. The report's conclusions imply a deep and comprehensive criticism of both government and church behaviour.

In many ways the report details what is already well recognised and mirrors many of the findings of the government policy document on the inner cities published in 1977. But its wide-ranging and careful scrutiny, on the lines of a royal commission, is important both for the fact that it represents a new determination by the Church of England to involve itself in the "real" world and for its party political independence – an independence which would have been greatly enhanced if the 17-member commission had been drawn from a wider and less predictably unanimous spectrum of the Christian community.

The team visited many inner city areas including all those which suffered riots in 1981-82 and earlier this year.

"It is not a simple story of economic decline and physical decay in the inner city. It is a more complex story of mismatch between people, skills, housing and jobs which planning failed to overcome and the economic recessions of the later 1970s exposed and exacerbated," they say.

The report echoes fears most recently attributed to the Prince of Wales when it warns of growing inequality leading towards two nations – inequalities in life chances, income, housing, education, public services and the general level of civic amenity.

"Moreover and more alarming, the migration of people and the movement of capital, employment opportunities, private enterprise, and voluntary effort is increasingly away from the urban districts," it says.

"The process is one of deprived people being left as the successful move out to middle Britain. The former have decreasing wealth, health, services, income, investment and amenity; the latter have rising affluence, opportunity, power and advantage: in one ugly word polarisation."

Before looking at various socio-economic aspects of the problem, the report looks at what is wrong within the church, traditionally a bastion of the middle classes.

The commission is in no doubt that the Church of England must put its own house in order, noting that the church has a clear Christian duty to respond to the situation facing the poor in the inner cities.

It can hardly be said that the church is yet making this a high priority. The church, like the nation, appears for the most part to be pursuing its concerns and managing its life as if these patches of acute need did not exist.

The theological debate then enters controversial territory, discussing whether the Church of England must confine itself to personal charity, service and evangelism or whether it can legitimately involve itself in social and political action – the sort of liberation theology which has caused considerable anxiety in the Vatican as it has been taken up by the Roman Catholic Church in some developing countries.

The report argues that church action should embrace both while admitting that thus far "we have little tradition of initiating conflict and coping with it creatively. We are not at home in the tough, secular milieu of social and political activism."

It is clear, from the Archbishop's endorsement of the report, that this is the path now to be trodden. A commitment to social action is combined with a key recommendation that "the Church of England must continue to question the morality of economic policies in the light of their effects."

Local authorities in the inner urban areas have lost far more through reductions since 1979 in rate support grant (government subsidy) than they have gained in the urban programme and claims by government ministers, notably Mr Kenneth Baker, Environment Secretary, about large increases in cash for specific programmes to aid urban areas since 1979 conceal a quite different picture.

Urban aid increased substantially in real terms in 1982–83 and 1983–84 when Mr Michael Heseltine, then Environment Secretary, persuaded the Cabinet to make a serious effort after the urban riots. But urban aid fell by 7.5 per cent in real terms in 1984–85, fell again by 4.3 per cent in the current year and is planned to fall again in real terms in each of the next three years, unless a policy switch changes the plans in the public expenditure White Paper (policy document).

The commission reserves some of its most stinging comments for the effects of current economic policies. "We believe too much emphasis is being given to individualism and not enough to collective obligation."

"It is by their outcomes that macro-economic policies must be judged. Wa are united in the view that the costs of present policies, with the continuing growth of unemployment, are unacceptable in their effect on whole communities and generations. A degree of hardship may be needed to attain longer-term objectives but it is unacceptable that the costs of transition should fall hardest on those least able to bear them."

It calls for the Government to give the inner cities a "vote of confidence."

"It must be for the Government first and foremost to demonstrate this confidence through a sustained programme of public investment on both current and capital account, as has happened in the docklands areas of the urban development corporations. In this way it will give greater confidence to the private sector to invest."

The report also calls for increased child benefit, higher income support for the unemployed and a review of the interaction of the tax and benefit system, restating the traditional arguments of both the so-called poverty lobby and a range of bodies from the Institute for Fiscal Studies to sections of the Conservative Party.

All these demands, coupled with the call for more public housing, are contrary to government policy which is to restrain public expenditure.

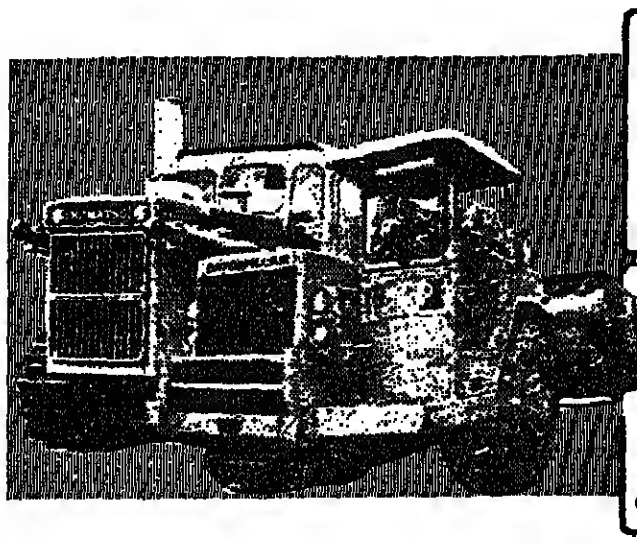
This brings the commission to a vexed subject – the church as property owner, landlord and investor through the Church Commissioners, a deeply conservative organisation about whose approach there is growing concern within the Church of England and without.

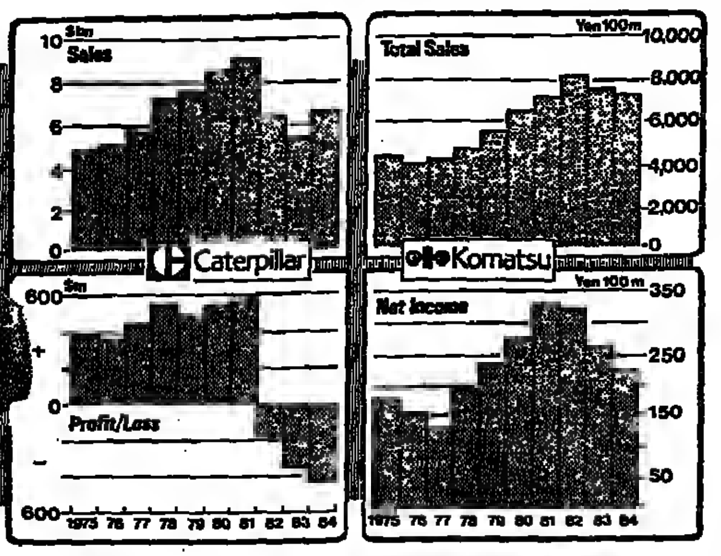
The commissioners have a property portfolio approaching £1bn and an equity portfolio of about £700m.

Faith in the City: £7.50; Church House Publishing, Dean's Yard, London SW1

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ





Komatsu calls for a ceasefire

Ian Rodger on the Japanese group's surprising keenness to co-operate with Caterpillar

IT LOOKS as if an historic turning point has been reached in one of the great industrial battles of our time.

The battle is between Caterpillar Tractor of the US, the dominant force in the huge world construction machinery industry for half a century, and Komatsu of Japan, which has come from nowhere in the past 20 years to pose a real challenge to Cat's supremacy.

For the past ten years, Komatsu, like many Japanese manufacturers, has advanced on its US rival with increasing speed and ease, while Cat has stumbled and floundered, seemingly unable to find effective ways of responding.

The gap in performance has been especially wide since 1981. Cat's revenues sank from $9.2bn in 1981 to $6.6bn last year, and the company piled up over $1bn in losses. Meanwhile, Komatsu has maintained its sales volume at just over Y700bn ($3.4bn) and suffered only a one-third slide in its profits.

But change is in the air. After major management and production overhauls, Cat has returned to profit in recent months and is aggressively defending its position. "We are going to stay number one in this industry," says Don Fites, the group's new executive vice-president for marketing. "The only way we can lose is if we mismanage the business."

Perhaps more important, Komatsu is signalling that it is no longer very interested in the fight. Shoji Nogawa, the group's president, suggested last month that the construction equipment industry is now too weak to sustain a cut-throat battle between the two giants. If companies have excess energy, he says, they should put it into other businesses that have strong growth prospects, as Komatsu is doing, rather than into endless battles for market share.

"I am not all that interested in being number one or number two," Nogawa says. "What is important is to have enough of a share so that we can exist and co-operate in this market. If we take a combative attitude, it will be very difficult to survive, because total demand is not growing at 10 per cent a year as it was in the past."

This is a very different tune from that sung by Komatsu four years ago. At that time, Ryoichi Kawai, then president and now chairman, was saying things like, "we eagerly want to catch up with Caterpillar by modelling ourselves on them." And the company did not discourage suggestions that its "maru-C" quality circle programme was in fact a strategy for encircling Cat.

Today, Nogawa flatly denies the existence of such a strategy. "We have no intention of taking on Caterpillar and fighting them like an enemy until one of us falls. What is important to both Caterpillar and Komatsu is our customers. It is not businesslike to put them aside, just to fight each other. The kind of thinking that says, 'If we do not get them, they will get us,' is what Japan used in the Second World War, and look what that produced."

It remains to be seen whether these peace overtures will be reflected in the marketplace, but there is little doubt that important changes in the relative strengths of the two industry leaders are occurring.

For example, the concentration of Komatsu's production in Japan, which has been a major asset in the past, may be less helpful in the future. Because of trade friction between Japan and the West, Komatsu is encountering an increasing number of barriers to its exports. Earlier this year, for example, the European Community slapped a 26.6 per cent dumping duty on its Japanese made hydraulic excavators.

Also, Japan is unlikely to enjoy as favourable terms of trade as it has in the past few years. Following the recent rises in the value of the yen, Komatsu has announced price increases of 5 to 10 per cent in dollar terms.

Cat, on the other hand, has factories in nine countries outside of the US and is trying to become adept at shifting production quickly from one to another to take advantage of changes in terms of trade. "Anyone who is going to be a low cost producer in the future is going to have to shop the world for low-cost components and maintain assembly in various places," Fites predicts.

It has also become clear that Komatsu's remarkable stamina in the past four years, a period in which the entire construction equipment industry has been in a deep slump, was in no small measure due to the boycotts and embargoes on sales of US goods in Iran and the Soviet Union.

For Komatsu, this created an unexpected bonanza. According to estimates by stockbrokers Merrill Lynch, 30 per cent of Komatsu's Y377.9bn of exports in 1983 went to those two countries. Now Cat is back in both areas. Earlier this month, for example, it won an $80m contract for pipelayers and bulldozers in the Soviet Union. And Komatsu's performance has declined. Last year, its exports to Iran and the USSR were down by two-thirds and one-third respectively, according to Merrill Lynch.

Caterpillar also stands to gain from the fall in the value of the dollar. Until recently, more than three-quarters of its machinery was made in the US, and the company has been a vociferous critic of the strength of the yen and US policy.

Nogawa is scornful of Cat's complaints about exchange rates, recalling that the US company did not seem to have any problems competing in the 1960s, even though the rate then was 360 yen to the dollar. Similarly, he says Komatsu did not complain in 1978 when the rate was 173 yen to the dollar. "It goes beyond our understanding why they are making such a big thing out of this. Perhaps in the past, we were not very good in terms of our technology and marketing abilities, but we are not fools. We worked hard and brought our products up to date. I do not say we have caught up with Caterpillar yet, but we are in the stage of catching up."

Even before these latest changes both companies had been in the process of reassessing their strategies for the future. Both have recognised that the construction equipment industry is now mature and perhaps even in decline.

Cat has concluded that it should intensify its commitment to the construction equipment industry. Company officials believe they still have the lead in two crucial competitive factors: technology and distribution. They feel they need lower costs and they have closed several plants and eliminated more than 25,000 jobs in the past four years.

They also believe they need a wider product range not least to help out their hard-pressed dealers. In the past Cat's strength has lain in very large earth-moving machines but the markets for them are depressed, while demand for smaller machines for housebuilding and smaller public works projects is stable. The company has just developed its own backhoe loader and, in a break with past policy, has commissioned other producers to make a number of machines for it, including excavators, paving machines, and logging equipment.

Komatsu, on the other hand, is pursuing an aggressive diversification policy. Non-construction equipment business accounts for 18 per cent of its sales today and Nogawa has set a target of over 25 per cent for 1990. He has even mentioned a 50 per cent figure as a longer term goal.

These targets are not as ambitious as they may seem. Komatsu has long had strong positions in two other manufacturing businesses—large sheet metal presses for the motor industry and specialised machine tools, such as crankshaft milling machines. Recently it has widened its machine tool lines, added robots and, based on its own wide experience of automating production, is aiming to be a major supplier in the factory automating business.

However, the company remains committed to construction equipment. "We will not give up one business to develop others," Nogawa says. Like Cat, it wants to widen its product range, but the company's real challenge for the next few years will be to insulate itself from trade frictions.

Even given the strong Japanese preference for concentrating production at home, it is nevertheless difficult to understand why Komatsu has been so slow to develop factories abroad, particularly in the US where it now sells over $300m a year worth of equipment.

One of the reasons Cat still sets the industry standard in distribution is that, in an emergency, it can call on plants all over the world to supply parts. And it is surprising that Komatsu, which has imitated Cat in so many ways, failed to recognise the importance of this diversity of supply.

Early this year, when Komatsu finally did make a move, it was only to set up a small $16m factory in Tennessee. Cat official scoff that this is a smaller investment than many of its dealers have in their businesses.

In Western Europe, Komatsu has toyed with the ideas of joint ventures with various producers, or setting up on its own, for some time. "A year has passed since I thought I should make an immediate decision on this," Nogawa admits.

In fairness, it is not an easy decision to make. Nogawa knows that as soon as he opts to locate in one European country, there will be resentment and opposition in the others. Also, European markets are highly fragmented.

Nogawa says the two joint ventures about which there have been rumours—with Terex and Northern Engineering Industries, both in the UK—are "not active at the moment," but he remains open to collaboration deals. Whatever he does, he knows he has to move fairly quickly. "Because of tension over trade, many measures may be taken against us which would hurt our dealers."

So the stage is set for the two giants to implement their new strategies. While it is difficult to forecast the results, one thing both are agreed on is that they will remain strong while the smaller companies will get weaker.

Perhaps that is why Nogawa is so outspoken about the need for a less pugilistic environment. It will be hard enough, he seems to be saying, for those who have to close factories or abandon the business because of the chronic problem of overcapacity. And he calls on Cat to help solve the problem.

"What vision they have is very important. Will they try to steamroller the industry and be the lone survivor or will their approach be one of co-operation and collaboration?"

Management abstracts

Lie detectors fail the truth test. B. Kleinmuntz in Harvard Business Review (US), Jul/Aug 85 (3½ pages)

Explains how lie detectors work and examines their record of success; concludes that there is very little evidence to justify their use in business, and argues that when they are used they poison the corporate climate and spoil whatever mutual trust may have existed.

Doing business with the State. D. Burger in Absatzwirtschaft (Fed. Rep. of Germany), May 85 (3 pages, in German, English version available)

Stresses that special considerations apply to doing business with government departments or agencies, particularly with regard to competitive tendering. Offers three check-lists or aspects to consider (1) before a decision is taken to go for such business; (2) before starting work on tender documents; (3) before actually tendering.

Safety in construction. S. Dawson plus others in Journal of General Management (UK), Summer 1985 (17½ pages)

Considers why construction activities are four times more dangerous than those in manufacturing industry; points to contributory factors, such as the place/nature of work, the organisation of activities, the use of subcontractors, and work-force attitudes. Suggests the major weaknesses in current approaches to health and safety revolve around creating an atmosphere which is safety conscious, adopting the codes of practice laid down, and monitoring/adapting standards; indicates that attitude rather than knowledge is the key obstacle to improvement, and that work-force/union apathy on safety matters needs to be overcome for progress to be made.

Locating new customers profitably. S. Pearson in Direct Response (UK), July 1985 (2 pages)

Argues that the creative use of a company's own marketing database is better than using commercial data to classify socio-economic neighbourhoods. Suggests it is simplistic to expect one classification system to target every conceivable market segment: far better to know your customer as an individual.

Lighting controls. J. O'Neill in Facilities (UK), July 1985 (3 pages)

Makes the point that while people are good at turning on lights, they are not so good at turning them off; examines—with the use of case examples—the cost-effectiveness of three forms of automatic control systems. Portsmouth City Council estimates to have achieved almost 40 per cent reduction in their annual costs, thanks to time switching; the City of Bradford Metropolitan Council achieved similar savings through daylight linking; and Avon Cosmetics registered savings of one-third by adopting localised lighting. Notes the payback periods.

Moving heavy loads. Health and Safety at Work (UK), July 1985 (1½ pages)

Reports four fatal accidents involving the handling of heavy loads; demonstrates that in every case, the jobs were not properly planned and that the method of work induced instability which caused toppling. Stresses the need to assess all hazards beforehand and to plan the method by gauging the weight, plotting the route, using the right equipment, and providing experienced supervision.

These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at a cost of £4 each (including VAT and p+p; cash with order) from Anbar, PO Box 23, Wembley HA9 8DJ.

BUSINESS PROBLEMS

BY OUR LEGAL STAFF

Christmas parties

LAST year you ran an article on Christmas parties stating that the tax man would regard £35 per head as modest. Have you any news regarding this year's guideline?

The situation is outlined in an Inland Revenue press release of October 26 1984 (Christmas parties), which may still be obtainable from the Inland Revenue Press Office, Somerset House, Strand, London WC2R 1LB.

In part it says that tax offices will treat expenditure of some £30-£35 per head per annum as modest and if such spending is at the lower end employers will not need to return form P11D.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

CHINA'S ECONOMIC REFORMS

The doubts start to grow

By Colina MacDougall

CHINA'S reforming lesder Deng Xiaoping and his supporters are still firmly in the ssddle in Peking—despite a year of economic disasters. But they have been forced on to the defensive, their opponents have become more vocal, and their policies at least temporarily have sharply allered course.

Officials continue to say there is no change in the reform programme or the "open door" policy. Problems were expecied as a result of such radical chenges and time is needed to sort tbem out. But the setbacks have given the conservative Marxists in the party at least the momantary chance to sttack the reforms and undermine the idea of "getting rich" which bas been so important a factor in raising China's productivity in recent years.

Deng Xiaoping: forced onto the defensive

There is no shortage of examples of the current problems. No spectacular cancellation of contracts in foreign trade has been announced but there is e marked go-slow on imports which some businessmen expect to last well into next year. The urban economic reform—relaxing central control—announced in October 1984 has been trimmed. Plans to open up 10 cities last year to foreign investment have been modified, and the future of Shenzhen, leader among the four Special Economic Zones, is currently under close scrutiny.

For the second time in five years, Peking's reformers have by relaxed central planning unwittingly provoked a disastrous fall in foreign exchanga reserves and excessive industrial growth. In 1981 similar problems forced postponement or cancellation of hundreds of millions of dollars of foreign contracts.

Psychologically, the crisis is worse this time since Deng Xiaoping's reforms have generated corruption and fraud as well as serious foreign trade problems, inflation, shortages, a fall in the value of the yuan and a huge subsidy burden.

On the trade side, the effects of tha crisis have been considerable. Some contracts under discussion have been delayed," Zheng Tuobin, Minister of Foreign Economic Relations and Trade, said last month. "One reason was the growing scale of imports, another congestion in the harbours. Sometimes up to 500 ships have had to wait to unload."

In its latest report the Sino-British Trade Council says "companies and Chinese corporations alike report that very little new business is being done at present. Some corporations have sent their negotiators on study leave, leaving foreign businessmen with literally no one to talk to."

Businessmen have at times faced delays in China's opening of letters of credit or breaks in trade discussions, while negotiators apparently sought the necessary clearances from Peking. Others have encountered prolonged negotiations over non-essential equipment, such as cigarette-making machinery.

Joint venture policy has been affected to the extent that China is now concentrating mainly on import substitution technologies or partners who can help produce goods for export. "This could include minerals or metals processing, leather dyeing or manufacture of machine tools," said Jing Shuping, vice chairman of Peking's China International Economic Consultants.

All this has been the consequence of a fall in foreign exchange reserves from over $16bn in September 1984 to $10.8bn in June this year. Nine-month trade figures from the Ministry of Foreign Economic Relations and Trade, moreover, showed a deficit on China's side of $3.4bn.

Exports have fallen, partly because of difficult overseas markets but also, Chinese officials say, because producers could get better prices under the new liberalised sales system than by selling abroad. Consequently (and partly, though to a lesser degree, to slow imports) China allowed the dollar to fall from yuan 2.7 in value of the yuan against the November last year to yuan 3.2 a year later. "With rising prices within China, we had to do it," said Liu Hongru, vice president of the People's Bank.

Last month Chen Muhua, president of the bank, claimed that the foreign exchange drain was over. Imports had been cut, exports increased and official perks like trips abroad reduced. But the price is a return to many of tha old controls and delay on modernisa-

In curbing industry—industrial output grew at 23 per cent in the first half year and is unlikely to be below 18 per cent for the whole 12 months—the leadership has had to revert to precisely the kind of administrative fiat that it was trying to abolish through its economic reform.

Enlarging factories, boosting output, borrowing money, raising wages, buying foreign equipment—all powers delegated at least in part to managers under the October 1984 reforms—have now apparently been forbidden except under strict bureaucratic supervision.

"We have to get permission to build new plant or import new equipment, and that's a great handicap," said Zhu Zhinan, Deputy Director of the Administrative Office of tha Nanking Radio Factory.

Deng's troubles stem from the measures towards liberalising the urban industrial system in 1984. In October of that year the Central Committee issued a cautious directive increasing industrial and commercial enterprise authority, releasing some enterprises from central ministry control and allowing some prices to float. Simultaneous financial reforms enabled factories to keep a share of any foreign exchange they earned and to borrow freely from the banks.

These changes were introduced just as the peasants were beginning to flex their new freedom to start up rural industry. The outcome was a huge burst of building, production, borrowing and expenditure, especially of foreign exchange.

Officially inflation was put at 11 per cent in the cities in the January-August period, but many foreigners believe it was much higher. Song Tingming admits that in Peking and Canton prices in July were respectively 22 and 23 per cent up on the same month in 1984.

Serious trouble was avoided because Peking pays subsidies to town dwellers to buffer the increases. But along with subsidies already given to farmers, these fuelled the problem by swelling money in circulation.

Tha political fallout from these developments has been considerable. At the special party conference in September, conservative Marxist party leader Chen Yun and head of state Li Xiannian spoke bitingly of the problems the reforms had

In his speech to the party's disciplinary body, Chen particularly condemned the crime and decadent bourgeois ideology they encouraged. In contrast Deng, who conceded that there were many problems, reserved his fiercest words for past "leftist errors" and defended the improvements generated by his policies.

The reform policy has a great deal of support in China, especially among the 800m peasants, most of whom hava benefited enormously. But the loosening of control which is its basis has cut into party power; the spontaneous corruption which sprang up overnight has earned it enemies; and inflation and other problems have created doubts.

The question remains whether China can be modernised in the way Deng plans. There is no tradition of western-style management which could begin to make it work. The events of the year may have persuaded a significant number to revert to a preference for central control.

TECHNOLOGY

EDITED BY ALAN CANE

Guy de Jonquieres reports on the problems of competing with IBM

Innovation is not enough for success

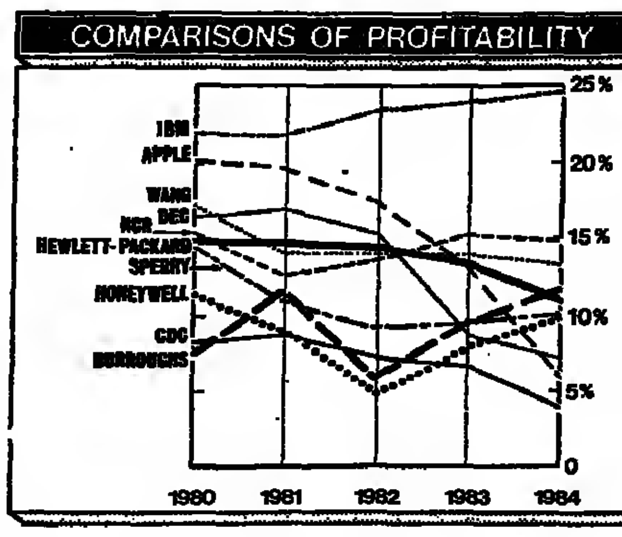
HOW TO compete with IBM is as formidable a problem in the computer Industry todoy as it was 20 years ago. Silicon Volley "start-up" companies may have proliferated but none has blossomed into a really durable challenger to Big Blue and many have faded after a brief blaze of glory.

Why this should be so is a central question in a study by Mr Eric Wilson, a strategic planner at AT & T-Philips Telecommunications, published by the Geneva-based International Management Institute.

He observas that innovative technology alone is no longer enough to ensure competitive success. What is really driving the industry forward is the emergence of new and increasingly specialised, market segments resnlting from the head-on collision between computing, communications and other industrial sectors.

Young "start-up" companies are usually first to spot and exploit these opportunities, established companies, including IBM, move in later. But only IBM and the pioneering start-ups seem to emerge successfully, while other competitors often record disappointing results.

In search of explonations, Mr Wilson teans heavlly on research by academics Michael Porter and Ichak Adizes into the competitive behaviour of companies and the life cycle problems of organisations.



Losers are the 'stuck in the middle' groups which try to compete across a broad range of products

The study finds that the winning companies are those which fecus intensely on a selected market niche and skilfully differentiate their products from those of competitors—usually by means of the customer service they offer rather than through technology or lew price.

The losers are the "stuck in the middle" companies, which try to compete across a broad range ef products. Though they often sepnd vastly more than start-ups on research and development, they achieve lower sales per employee, lower profitability and declining market share.

Mr Wilson includes in this group most of the "Bunch" componies—Burroughs, Sperry, NCR, CDC and Honeywell—as well as more recent pioneers such as DEC and Hewlett-Packard. All are slowed by sheer corporate size, administration and the problem of ensuring compatibility between new and existing products.

Contemporory management theory would suggest that the most effective solution is for them to diversify by decentralising into smaller and more entrepreneurial business units. That is precisely the remedy applied by IBM with huge success in the past few years.

However, Mr Wilson orgues that most other companies risk getting trepped by a "Catch-22." If smaller rivals attempt to diversify in an industry dominated by IBM, he says, they dilute the "focus" which gave them their key competitive advantage in the first place.

"If DEC diversifies, it is likely to become another Burroughs, Honeywell or Sperry. But if DEC does not diversify, it will inevitably decline as its cash flow in minicomputers shifts from maturity into old age."

The only real hope of avoiding this trap, he suggests, is for "stuck in the middle" companies to concentrate on pioneering new growth markets before IBM moves in. However, in view of established companies' internal bureaucracy, this is easier said than done.

Mr Wilson is forced to admit that ha can discover no "miracle solution" to competing with IBM. Ultimately, he suggests, the best hope for loosening IBM's iron grip may be rapid changes in product markets and increased competition from AT & T and Japanese companies.

His study is incomplete in other ways, too. It does not explain satisfactorily how IBM has succeeded in fighting off middle-age flab and barely discusses the commercial implication of the push by non-IBM companies for "open" data communications standards.

It is unfortunate, too, that DEC is paraded as a typical "stuck-in-the-middle" company just as it seems to be staging a resurgence, while Data General, held up as an example of the right approach, is in a downturn.

Nonetheless, the study does at least define more precisely the question of what makes "start-up" companies succeed and why they so often lose their initial momentum.

The best hope for loosening IBM's grip may be rapid changes in product markets and increased competition

These are issues which would warrant further attention from European policymakers, who all too often seem to view technological competitiveness as a matter of pumping government subsidies into targe electrical and electronics manufacturers.

Strategies for Success in the Computer Industry, by Eric J. Wilson. Technology Management Unit, International Management Institute, Geneva.

Programme to support remote sensing research

Peter Marsh looks at a $17.5m project to reap the best results from space technology

US GOVERNMENT agencies, universities ond companies are planning a $17.5m programme over five years to support the commercialisation of remote-sensing projects in space.

In remote sensing, satellites carrying cameras and such other sensors as radar devices obtain pictures of the Earth from orbits several hundred miles high. The pictures can help agriculture experts monitor crop growth or analyse ground conditions for signs of mineral deposits.

The new programme will be run by the National Center for the Commercial Develepment of Spoce Remote Sensing in Bay St Louis, Mississippi. In charge of the centre, which will be closely associated with the National Space Technotogy Lahoratory of the US National Aeronautics and Space Administration — also in Mississippi — will he the Institute for Technology Development, a private, non-profit corporation.

The research project will fund work in such areas as developing new applications for remote sensing and new software to analyse information from spacecraft. The centre's work will also support training of scientists and administrators se they can gain the maximum advantage from pictures from space.

According to the centre, information from remote sensing satellites could help a variety of industries, either in planning resources or in the monitoring of events taking place on the ground.

These industries include companies involved in livestock, fertilisers, warehousing, transport, fish production and agricultural chemicals. A 1 per cent increase in these industries' productivity achieved through hetter use of remote sensing would bring them a total annual benefit of $1.6bn, the centre says.

In the rentre's first year of operation, Nasa is contributing about a third of the $2.74m budget. The rest is coming from industry and the state of Mississippi. Annual spending is due to climb to $5.1m by 1990. Mississippi is also providing a $4m building to house the centre.

Among companies eithar providing cash to the centre or which have agreed to co-operate on research programmes are computer hardware and software companies such as Cray Research, ERDAS, Intergraph and Synercom. Others include concerns which use information from space or sell it to other organisations, for instance the DESTEK Group, Ducks Unlimited, Hutson Chemical and Mead Corporation.

Academic institutions which will take part in the research programme include Jackson State University, Pennsylvania State University, Oklahoma State University and the universities of California, Missouri, Mississippi and Delaware. The US Navy and the US Army Cerps of Engineers have also ogreed to co-operate.

Staff at the centre wilt liaise ctosely with Eosat, a joint venture between RCA and Hughes Aircraft, which will supply data from the Landsat series of remote sensing satellites. Eosat took charge of the Landsat programme in September from the National Oceanic and Atmospheric Administration, a government agency. The Landsat project has run since 1972 and has involved the launch of five satellites.

Under a deal reached earlier this year, the Commerce Department is poying Eosat $250m over five years to take over the existing Landsat-5 satellite and to build two more vehicles that should enter orbit around 1988 and 1991. Eosat will also administer the ground stations that receive pictures (as a digital code) from the satellites and be responsible for data marketing.

One result of the legislation that transfered ownership of the Landsat system from the Government to a private corporation is a change in the way Nasa makes available to users scientific data from other remote sensing hardware; for instance, cameras and sensors carried aboard the administration's fleet of space shuttles.

Under the 1984 Land Remote Sensing Commercialisation Act, Nasa cannot release the data itself but has to sell it to a commercial organisation which, in turn, sells the Information. The space administration has recently agreed a deal with Martel Laboratories of St Petersburg, Florida, under which the latter will sell data from the large format camera experiment carried on a shuttle mission.

Nasa says, however, the new policy can cause problems by delaying data to scientific bodies. Under the new arrangement, they cannot obtain the pictures from space immediately, but have to wait for Nasa to strika a deal with a commercial concern.

In the case of the large format camera data, Nasa spent months talking to 26 concerns which indicated an interest in the information. Finally, the administration received just one firm proposal—from Martet—as a result of which the St Petershurg company obtained the data for a mere $100.

Testifying recently hefore the Senate subcommittee on commerce, science and space, Dr Shelhy Tilford, Nasa's director of Earth sciences and applications, complained that the new procedure could "hamper the federal government in providing access to experimental data to the non-government funded research and development and user communities in a timely fashion."

He said that often the data had little economic value but that its scientific use weuld diminish the greater the delays preventing researchers gaining access to the information.

Cosmos helps ice bound ships

DATA FROM a radar-carrying Soviet remote-sensing satellite has enabled scientists in the USSR to rescue seafarers trapped in ice-bound ships in polar regions.

The information has come from Cosmos-1500, launched in September 1983. The vehicle is in an orbit which passes over the poles in such a way that it takes snapshots of the same area of the earth's surface once every three days.

The satellite carries optical and radar equipment especially suited to taking measurements of the oceans. Cosmos-1500 is the only civilian satellite now in operation that carries radar sensors, which beam microwaves to earth and pick up the reflections.

Data from the sensors on the vehicle can either be stored in a memory aboard the spacecraft for transmission to the ground once the vehicle is over a suitable radio station or transmitted instantaneously to the earth. The Soviet Union runs regional remote-sensing receiving centres in Moscow, Novosibirsk and Khabarovsk.

Signals from Cosmos-1500 have helped Soviet scientists to map the extent of the ice cover in Arctic regions. As a result, technicians were able to find a route out of the ice for 10 ships trapped in an ice-bound area off Siberia.

Earlier this year, with a similar technique workers passed on messages to the Mikhail Somov, a ship trapped in ice in the Pacific sector of the Antarctic.

The exploits with the data from Cosmos-1500 have excited interest from around the world mainly because of the satellite's use of radar, which enables the vehicle to map surface features through cloud. In contrast, ordinary optical sensors cannot operate in bad weather because light cannot penetrate through dense concentrations of water vapour.

Jopan, Canada and the European Space Agency all plan to launch radar satellites over the next five years.

Other uses of the radar system on Cosmos-1500 include mapping underground archaelogical remains in Africa and hidden geotogical features in the Antarctic. To some degree the microwaves emitted from the system burrow through ice cover and are reflected back to the spacecraft from hidden objects. In this way, Soviet scientists think they may have spotted archaelogical remains in the Sahara region and buried volcanos around the south pole.

Fast quench processes under test

RESEARCHERS at the Battelle Institute in Columbus, Ohio, are starting work on techniques that could provide insight into making new kinds of materials in space.

The workers are to study "rapid quenching," the process where materials heated to a high temperature are exposed suddenly to cool conditions. Such treatment can provide useful properties such as high strength or good corrosion resistance.

Under a $250,000 contract with the National Aeronautics and Space Administration, Battelle is to simulate the low gravity of space by dropping canisters containing experimental mixtures from the top of tall tower.

Under the low gravity, liquids can be supported inside the container in the form of droplets which do not touch the walls. In this way, contamination is reduced.

Battelle's workers want to find out if under low gravity and containerless processing, rapid quenching produces materials with better properties than can be obtained under normal conditions in Earth factories.

UK puts lid on Soviet grease

A COMPANY in Liverpool is aiding a Soviet effort to turn out industrial grease in sub-zero temperatures. Deritend Electrical has produced two machines bound for the Soviet Union that automatically puts lids on grease containers.

The machines, worth £22,000, are to be installed at the end of a production line in the grease factory. The lids are put on using hydraulic arms. Deritend says the machines have to be highly reliable as they must work with little maintenance at very low temperatures.

The machines are being supplied to the Soviet Union through a Surrey company which does not want its name revealed.

Threat to telex

ELECTRONIC MAIL already looks set to kill off telex in the US according to a new report from Frost & Sullivan, the New York-based marketing consultancy.

The growth in end users alone switching from other services such as telex and teletypewriting together with the growing ranks of personal computer operators will give a 1990 market worth $508m, says the report.

The 276-page report costs $1,775 from Frost & Sullivan; 01-935 3190 in the UK; 212-233 1080 in the US.

Cable and Wireless, a cross-section of our growth, past, present and future.

May we ask you two questions?

One. Which do you think is the most useful invention of the past hundred years or so?

Two. Which do you think will grow fastest in the next fifty?

You're bound to consider the internal combustion engine, the aeroplane, atomic energy and the microchip, of course.

But how about telecommunications?

You have to admit there's a case to be made for them, and it's timely to make it now.

It'll take a short history lesson but we promise to make it as painless as possible.

1866, the Entrepreneur.

The founder of Cable and Wireless was a vigorous and determined entrepreneur called John Pender.

In 1866 he was largely responsible for laying the first transatlantic, submarine cable.

With the dots and dashes of the Morse Code, it meant the United Kingdom was only minutes away from the eastern seaboard of the United States (Stock Exchange and Wall Street closing prices were transmitted daily).

By the end of the century he had created a submarine cable empire that virtually covered the world and stretched for 50,000 miles.

Unending success beckoned? Not exactly.

1920's, the Italian.

A young Italian scientist called Marconi had earlier patented his radio device and now offered a transatlantic telegraph service (the one which brought Crippen to trial). It was three times faster than cable at about one twentieth of the cost.

Marconi made the British government an offer they couldn't refuse: that his telegraph service and our cable assets be merged.

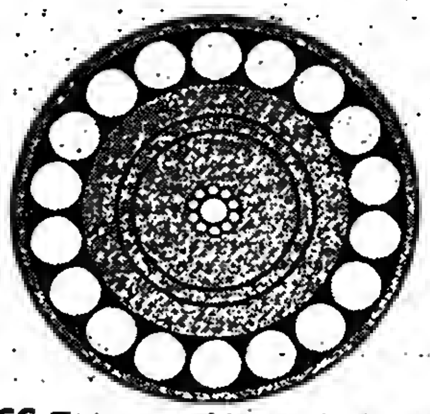
It was a happy marriage which, helped by new technology, prospered even during the depressed thirties.

1950's, the voice.

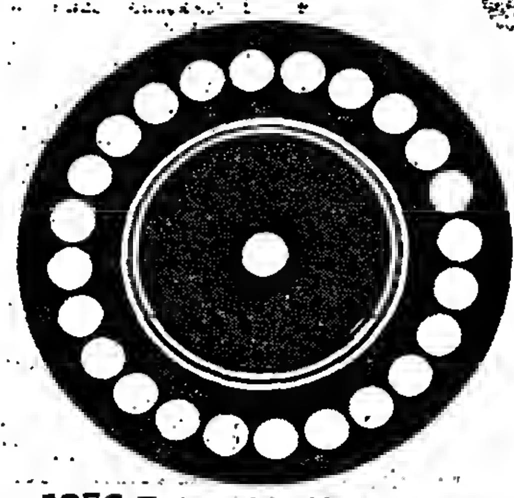
Then in the mid 1950's the first coaxial cable was laid across the Atlantic, carrying distant voices. (Although you still had to queue-up to make a call.)

But the pace of innovation was quickening.

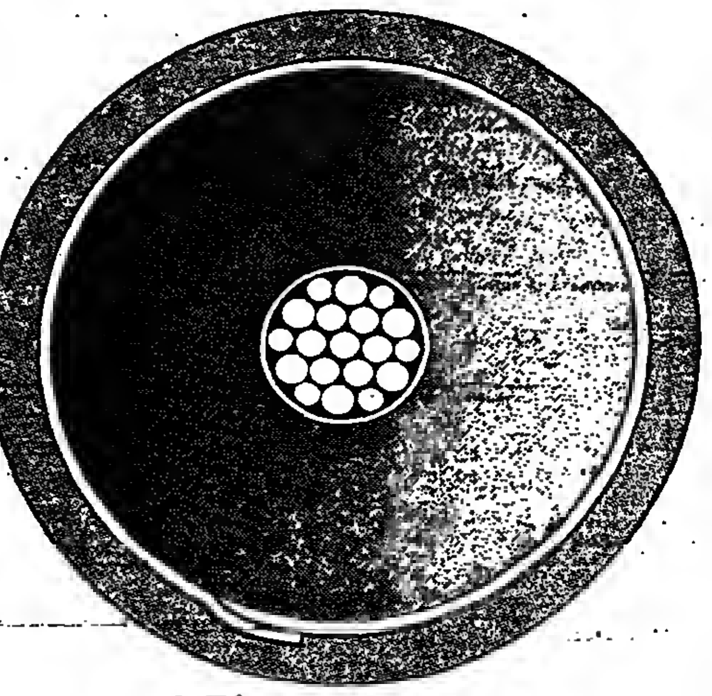
Rockets placed satellites in space, to and from which we bounce messages on 44,000 mile journeys between our earth stations round the world.



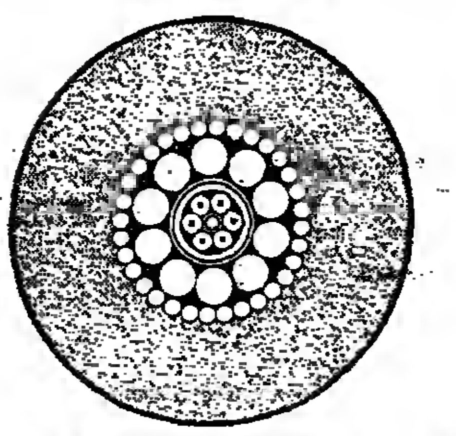
1866. First successful transatlantic cable. Roughly six months to transmit the Bible by Morse Code.



1956. First coaxial cable across the Atlantic. Thirty-six circuits bring phone calls as we know them today.



1974. Over 1,800 circuits – queuing eliminated.



1989. Cable and Wireless' fibre-optic cable to America. 12,000 circuits able to transmit the *Encyclopaedia Britannica in a few zips of light.*

Next came larger coaxials, then the miraculous fibre-optic cable carrying voice and data at the speed of light (the entire Encyclopaedia Britannica in a flash).

Now, computers and microwaves all play their part, but our real growth has accelerated in the past 4 years.

1981, the new freedom.

In 1981 the government privatised us in its belief that companies flourish when managers are free to act in an entrepreneurial spirit (shades of John Pender).

We are proud to say we have repaid its trust.

At the time of going to press, our annual pre-tax profits have grown fourfold.

Mid-1980's, the explosion.

There's nothing new in people's urge to communicate, of course.

But as international business has grown, this urge has now assumed unprecedented proportions.

Just about every country in the world is expanding and updating its telecommunications. And new technology is constantly needed to make systems faster, cheaper and more effective over greater distances.

Currently in fact, we're improving and maintaining systems in some thirty-six countries.

In Hong Kong we operate both its internal and external telecommunications systems.

Earlier this year, we agreed with China to study together the feasibility of establishing up-to-date telecommunications between the main cities of the Yangtze Delta.

Meanwhile, in America we've laid fibre-optic cable along the rail-road from Dallas to Houston and we are operating circuits from New York to Washington and soon, Chicago.

In Barbados we are co-operating with the government to bring the latest digital communications to the island and help its main industry, tourism.

In Bahrain, we have a 40% stake in one of the most advanced telecommunications services in the Middle East and we manage the entire system.

While last year, our ships laid a submarine cable linking Australia and New Zealand with Canada via Fiji and Hawaii – eight thousand miles in all.

We hope we have shown how Cable and Wireless has grown bigger as the world, in communication terms, has grown smaller.

Cable and Wireless.

Television/Christopher Dunkley

Who dares switch over wins the weekend show

Received wisdom often seems to be behind the times. A lot of people have recently been asking "Why is weekend television so awful?" Yet anybody keeping a close eye on the box should have noticed that matters have actually improved considerably. True, there is still a large amount of sport on Saturday afternoons with *Grandstand*, as ever, monopolising BBC 1, hours of racing on Channel 4, and on ITV wrestling plus some other sport (this week boxing, last week cross-country running).

However ITV has finally done away with its five hours of *World of Sport* which for so many years clashed head-on with *Grandstand*, and although there is still a lot of sport around that is to some extent inevitable and outside the broadcasters' control: Saturday afternoon happens to be the time when most sports fixtures occur.

But while this concentration of sport certainly irritates some viewers — mostly women, judging from the phone-in programme about television which I used to do on LBC — I suspect that most of the scorn implied in the question "Why is weekend television so awful?" stems from Acacia Avenue Syndrome: the tendency to blame television for one's own weak will-power. When you ask people precisely which weekend programmes seem so poor, most point to the game shows and the situation comedies, especially the repeats.

Many also complain about the variety shows which television seems to specialise in at weekends. There was a monster example on Sunday when ITV devoted 2½ hours to The *Royal Variety Performance*. This featured one excellent performance from Gary Wilmot, a few passable excerpts from current West End musicals, and a long, saddening procession of modern performers whose lack of talent was highlighted by the requirement that they impersonate the true greats of a previous generation: Marilyn Monroe, James Cagney, Rita Hayworth, Gracie Fields and so on. It was, indeed, pretty awful.

Moreover, there is no denying the concentration of game shows at week-ends, especially around Saturday tea-time. *Candid Camera*, one of the oldest and most embarrassing ideas on television, staggers on in the guise of *Game for a Laugh* on ITV, and similar tricks are sometimes built into *The Noel Edmonds Late Late Breakfast Show* which goes out simultaneously on BBC 1 and now attracts a bigger audience: 14.4m in the current ratings, making it No 8 in the National Top 10. Bob's *Full House* which follows immediately afterwards is managing to maintain BBC 1's audience at 13.75m with its bingo-based game.

Last week-end ITV started yet another type of game show called *Blind Date*, based on a long-running American series. A man or woman chooses a partner from three candidates of the opposite sex who sit behind a screen and answer questions, the banter being mediated by Cilla Black who is evolving into the female Wilfred Pickles of the 1980s. When she described one participant as a "her dresser" it took some of us a while to work out that her job was hairdressing.

It is also true that we seem to be getting a lot of week-end sitcom repeats from the BBC at present: *Only Fools and Horses*, *Porridge*, and *Last of the Summer Wine* on BBC 1 and *Fawlty Towers* on BBC 2. A NOP survey organised recently by the Peacock Committee which asked "In what way have BBC 1/ITV programmes got worse?" showed that most people (71 per cent) put "Too many repeats" at the top of the list with "Too much violence" coming second but nominated by only 16 per cent. (So much for the national outcry about television violence perceived by Mary Whitehouse and Norman Tebbit).

Yet whatever people may tell pollsters the fact is that these sitcom repeats are heavily watched: *Last of the Summer Wine* and *Only Fools and Horses* attract more than 14m viewers each, and even though *Fawlty Towers* is being repeated on BBC 2 it achieves 10.7m. Britain's population being the size it is, there must be a considerable overlap between the 71 per cent complaining of too many repeats and the 14m watching these repeats, which brings us back to Acacia Avenue Syndrome and unconscious hypocrisy.

Nobody is forced to watch game shows or sitcoms at the weekend. Many end up doing so, I suspect, because they cannot be bothered to switch off at the end of the sport, or because they turn on the tea-time news and simply stay in front of the set, or because their children want to watch the game shows and they are too weak-willed to argue. In all these instances—and experience suggests they apply in thousands and probably millions of homes where books are read and serious music played—it is not an active determination to watch which counts but sheer inertia or the desire for a quiet life. In such circumstances with other choices on other channels it seems unfair to blame television for the awfulness of its output.

But what else is there to watch? An enormous amount, starting early on Saturday evening with *Saturday Review*. This is an arts review programme, presented by Russell Davies and edited by John Archer who launched and edited *Did You See?*, and it benefits from the same sort of eclectic approach, lightness of touch, and canny casting of studio guests (though the man in the bow-tie last weekend waved his hands about too much) which made the television review series such a success. Unfortunately *Did You See?* seems to have lost its edge since Archer left.

Last weekend *Saturday Review* was followed on BBC 2 by *A Mass for Man*, that most unusual phenomenon, an original dance work created (so it said) for television. Admittedly the music was monotonous and the production style, with cutaways to pictures of human suffering and disasters, was pretentious. But you could hardly call it "awful" in the sense that 3-2-1 is awful. Had you grown bored long before the end you could have done as I did and switched to Channel 4 which was showing a repeat of an excellent episode of *Upstairs Downstairs* with a script by Rosemary Anne Sisson that would put plenty of single plays in the shade. When material is as good as this, and one's viewing is split between four channels, repeats are not merely desirable but vital.

Later, the same night came *Who Dares Wins*, a comedy series which is finally hitting its stride now that it is sticking to its own style rather than borrowing frantically from everyone else. Those of us who enjoy its irreverence (Is it true the Pope's infallible? Yeah, he's a bugger at Trivial Pursuit) should, I suppose, keep quiet about it in case the busybodies track it down to its late-night hiding place on Channel 4 in the hope of being offended.

On Sunday, the day of *The South Bank Show*, there is even more to choose from. At tea-time BBC1 is currently presenting *Oliver Twist*, one of those finely mitred Victorian polished boxwood productions of Dickens which it seems to have been turning out all my life. This week's episode contained splendid performances from Godfrey James and Miriam Margolyes as Mr and Mrs Bumble.

The Natural World on BBC 2 was unfortunately saddled with an actor to read the commentary, invariably an error as Olivier proved so unfortunately with *The World at War*. Furthermore, the activities of ptarmigan and caribou mostly seem astoundingly boring, but this week's second and final programme did contain one astonishing sequence showing the hit and miss (or hit and bounce) methods by which the chicks of the Arctic goose descend from the mountains to reach the water.

The Writing on the Wall on Channel 4 continues to fascinate with its view of recent history—last Sunday the rise of the National Front and the Anti-Nazi League. *Comrades* on BBC 2 supplies the second image of Russian society which, combined with the first image provided by news, current affairs and dissident literature, forms something much more like a three-dimensional picture. And *Star Quality* on BBC 1 is suggesting that, far from being an evanescent figure, Noel Coward may yet prove one of the most long-lasting representatives of his era. This series offers precisely those values of entertainment and sheer enjoyment which we are so often told week-end television lacks.

It is time the image caught up with reality.

Siobham Davis and her baby in "A Mass for Man," a ballet commissioned for television

Orfeo/Banqueting House, SW1

Max Loppert

London has this year enjoyed *concert performances* of two of the early Italian Orpheus-and-Eurydice operas—those 17th century explorations of *dramma per musica* that between them achieved the definition of the medium. Last March Camden Festival put on Caccini's *Euridice* of 1600 (in the luminous setting of the Nereid Room at the British Museum; that fine, intelligently achieved introduction was on Monday night put in its proper perspective by the Monteverdi *Orfeo* that the Monteverdi Choir and English Baroque Soloists, under John Eliot Gardiner, gave us in the echoey splendours of the Banqueting House.

It had been exciting to make the discovery that the Caccini work was far more than the textbook item of conventional wisdom. But it was then extraordinarily thrilling to come back to the First Great Opera, and find that it remains, indeed, exactly that. Experience of Caccini highlighted just how and where Monteverdi seizes the moment, the form, and the dramatic situation—how and where he sums up what went before him while at the same time opening long vistas into the future. On Monday, the great paragraphs of Orpheus' pleading with Charon at the centre of the opera built up with the timeless directness that affects the listener each time as "contemporary"—and that defines the innovative genius.

Gardiner, conducting the edition that he first made for the ENO in 1981, showed here that his mastery of this work is now consummate. (With these forces he is shortly to record it.) The performance was paced, sounded, and directed with a working theatrical sense of how its every component part operates, and what all those parts add up to. But the Monteverdi Choir had not, perhaps, found itself the ideal location for this concert performance. The acoustics leave a blur on the words, and the long blocks of seats keep too many people far from the singers. In the absence of close contact with words, eloquently shaped phrases, and passionate personalities, there were stretches in which one found oneself appreciating the virtues of the performance in a rather detached way.

This problem of distance and distanced impact was compounded by the fact that in the cast there seemed to me too few singers capable of making the eloquent utterance of Italian the keystone of their singing. For all this florid virtuosity and familiar appealing poetic personality, Anthony Rolfe Johnson (not, I guess, in best health) in the title role was too often a vocalist and too seldom a *recitante cantando*.

He was, of course, a very good vocalist, and so were Lynne Dawson (Music), Diana Montague (Proserpina), John Tomlinson (Charon); and Willard White (Pluto), unfortunately there were also one or two peaky Early Music voices on show. But only Mark Tucker, as shepherd and echo, gave any impression of knowing how to combine verbal accent and dramatic impulse. How one wishes the Authentic Movement would now find itself a few front-rank Italian singers!

Jazz at the Bull's Head, Barnes

Kevin Henriques

For a quarter of a century the Bull's Head, down by the riverside at Barnes, has featured in the lives of jazz enthusiasts in the London area. Even "foreigners" from north of the Thames have either pilgrimaged to it on a No 9 bus or driven across Hammersmith Bridge (but rarely used the two nearby ghostlike railway stations) to attend sessions featuring not only the best British musicians but also many distinguished Americans.

Jazz came to the Bull's Head when the owning brewers told the then licensee, Albert Tolley, that something drastic had to be done to save it from becoming a morgue. In his wisdom (or maybe it was luck) he chose jazz as the likely life-line and within a few years the Bull was presenting jazz of the modern and mainstream variety every night of the week, plus Saturday and Sunday lunchtimes.

Since Albert Tolley retired some five years ago the reputation and prestige of the Bull's Head has been enhanced and consolidated by the present licensee, Dan Fleming, whose obvious and vibrant enthusiasm for jazz has inspired him into presenting leading American musicians for extended periods rather than for a single evening. He has also bravely gone out on a limb with relatively unknown Americans who have amply repaid his judgment by steadily building up their reputations during several weeks at the pub.

Now the Bull's Head is celebrating 25 years of live music with three weeks of the very best in British jazz — no star American visitors in this period — encouraged by substantial sponsorship from Young's Brewery plus support from the Musicians' Union and Greater London Arts.

The festivities took off on a musically high note last Saturday lunchtime with the added attraction of that rare benediction on notoriously thirsty jazz buffs, an all-day drinks licence. After the hard-playing, no-nonsense quartet of drummer Tommy Chase which had immediately kicked everything into top gear, Elaine Delmar's disarming, sophisticated singing was an ideal contrast. Her stylish, jazz-tinged interpretations of popular songs with tenor-saxist/flautist Duncan Lamont supplying obbligatos and, where relevant, eloquent solos, were, as always, performed with genuine enjoyment allied with impeccable professionalism.

Le patron of another famous, slightly older London jazz spot, Ronnie Scott, leading his regular quintet, again reminded listeners of the imposing breadth of his tenor-sax playing, especially his warmth on ballads. Dick Pearce on flugel-horn has developed an all-round fluency on the instrument which puts him among its leading exponents anywhere and bassist Ron Mathewson, in his extended work-out on "Seven Steps to Heaven," imbued no little humour into his solo with extensive quotes from "My Darling Clementine," "Bluesette" and "The Teddy Bears' Picnic"!

The Terry Jenkins ten-piecer closed the opening day's celebrations on a suitably stirring note. A punchy, powerful small big band, led by the drummer oft seen playing in the orchestra fronted by the suave James Last, it presented, in a rather under-ration programme, interesting arrangements and notable solos from, among others, altoist Peter King, trombonist Derek Wadsworth, trumpeter Derek Watkins and pianist Tony Lee.

The jollifications continue until Sunday December 22.

Simon Rattle/Elizabeth Hall

Richard Fairman

Simon Rattle's concerts shine out like the proverbial good deeds in a naughty world. Each of his appearances in the capital is a welcome event, for one can be sure that he will take an important 20th-century composer—Janacek at the Coliseum, Stravinsky on Sunday night at the Festival Hall—and put him where he belongs: centre stage in the modern conductor's repertoire.

Stravinsky, one might say, is a young conductor's music anyway. But Rattle has more than just the high spirits of youth to give it, as the control and judgment in these performances showed. The rhythmic base of the style — strong off-beat accents in the energetic choral chanting of "Laudate Dominum" in the *Symphony of Psalms* — was fully, naturally grasped. And the story of *Petrushka* came across as vivid narrative, not mere orchestral virtuosity.

Excitement was cumulative, not haphazard. Rattle's sure hand on the temperature control of each work brought the *Symphony in Three Movements* to a heated peak of intensity in its last minutes, and the final Shrovetide Fair scene of *Petrushka* went with exhilarating momentum. The dances of the gipsies and the coachmen, a good deal faster than on Stravinsky's records, whipped up quite a final frenzy, pushing brass solos and repeated woodwind figurations to their limit.

All the more surprising, then, that the *Symphony of Psalms* came to such a stagnant close. The eternal tread of pianos and timpani, so mesmerising a musical idea, went slower than the composer's marking (crotchet equals 72) and the piece, paradoxically, lost its sense of timelessness. The London Philharmonic Choir, though, were in strong, articulate form, both here and in the *Mass*, where their sheer numbers rather overwhelming the chamber woodwind accompaniment.

Neither of the choral works has violins or violas. An evening of Stravinsky means hard work in the other departments of the orchestra, and it was a shame that more rehearsal time had not been found for the less-familiar pieces. Woodwind chording was poor in the first half, and the *Symphony of Psalms* opened with shaky ensemble. Only with the central tableaux of *Petrushka*, distinguished by some first-rate solos, did the LPO hit their highest standards.

Sade/Albert Hall

Antony Thorncroft

Sade, the hippest singer of the past year whose songs can be heard creating a soothing, bluesy background in every smart boutique, brasserie and hairdressing saloon in the world, came to London this week on her global tour, quite naturally to the Albert Hall. She has a most insidious voice, like the torch singer giving all in the background of a Hollywood movie of the 1940s, the honey of a Julie London but with lemon and whisky to pep it up for jaded modern palates.

And in the end the voice, and the cool precision of her songs, overcame an unsophisticated stage presence and a set that looked as if it had been rigged up in half an hour. Fortunately her musicians were able miraculously to reproduce the album sounds and as the lady and they relaxed, and the jazz rhythms percolated through, the live Sade started to approach the elusive, detached creature of the records.

The material came from her two albums, the first containing those songs that seem much more LA than the London where she grew up, notably "Smooth Operator" and the plaintive "Hang on to your love": the latest music, which is on first contact more downbeat, stretches her towards being the contemporary Billie Holliday. There are still lively little numbers which will conquer the discos like "Never as good as the first time," but "War of the hearts" takes her back to the world of sad ladies singing away their lives' cares in saloons while the sax player, in this case Stuart Matthewman, worships her with his equally sorrowful horn. Cue for entry by Lauren Bacall.

Sade's prodigious talent (her voice really is remarkably nerve-end tickling) seems to destine her for the US: already her lyrics rhyme — "Victoria Lake" with "Empire State" (in the excellent funky "Is it a crime") rather than "Lake Windermere" with "Brighton Pier." No doubt when she next plays the Albert Hall she will be draped in the Manhattan sophistication that her music oozes with. And then we can complain that she is not the nice, simple, rather vulnerable seeming girl she is today.

Sinopoli/Festival Hall

Dominic Gill

The first of two Philharmonia Orchestra concerts conducted this week by Giuseppe Sinopoli (the second today is an all-Elgar programme) opened on Monday night with Bruch's G minor violin concerto. The soloist was the orchestra's own leader, Christopher Warren-Green. The performance can best be described as capable: though small-toned and never very lusciously phrased, it had a solid, well-practised ring. Mr Warren-Green's grimaces were often visually more expressive than the actual aural fabric. In the finale there was a brave effort to pull out all the stops, but in sum, all the same, still more correctness than excitement.

Mr Sinopoli's technical and musical shortcomings have been discussed at length on many occasions in these pages. I certainly hope one day to be able to report a marvellous sea-change in the Philharmonia's principal conductor, and then shall willingly eat my words; but Monday night's concert still tended only to confirm the gloomier judgments.

It was brave of Sinopoli to follow the Bruch concerto, just as it had been brave of Mr Warren-Green to tackle it in the first place, with the andante adagio movement of Mahler's unfinished tenth symphony—for Sinopoli is really not comfortable in slow music, and his discomfort vibrates in every measure. The concentration and energy of the direction flags, and seems to turn inward on itself, whenever there is nothing ahead which is (superficially at least) brightly lit. The music loses its aim. The whole account, after a promising first page, quickly became centreless, and failed to draw the listener with its momentum.

Brahms's fourth symphony ended the evening—and of this we were offered not so much illumination or original insight as pretty plain and forthright exposition with a slightly self-conscious soft centre. I liked Sinopoli's care with the wind detail (brass as well as woodwind) of the opening movement: the voicing of the *giocoso* was bright and clean. But there was no cutting edge, no intimacy, no grandeur. Every key dramatic gesture was either inflated out of proportion, fudged, or ignored. There was no balance in the larger, or smaller, parts. Admirers might have found that "provocative:" I found it only aimless, and deeply unsatisfying.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Theatre

Nov 29–Dec 5

NETHERLANDS

Amsterdam. Bellevue Theatre. The English Speaking Theatre of Amsterdam presents William Gibson's bittersweet comedy, Two For The Seesaw. Maxine Resnick and Grant Coburn directed by Svarupa. All week except Thur. (247248).

Eindhoven. Schouwburg. Lamda Theatre of London with Thornton Wilder's Skin of Our Teeth, directed by Roger Croucher (Tue). (111122)

LONDON

Pravda (Olivier): Entertaining epic *new play by David Hare and Howard Brenton* for the National Theatre in which an unscrupulous South African magnate acquires Britain's most prestigious newspaper. A Jonsonian satire on the grand scale with an irresistible performance by Anthony Hopkins as the colonial who penetrates the Establishment while a nation dithers. (9282252).

Guys and Dolls (Prince of Wales): The 1982 National Theatre production has arrived in the West End, if anything improved by the new casting of Lulu as Miss Adelaide and the notably well sung black Sky Masterson of Clarke Peters. Richard Eyre's production and John Gunter's affectionately lavish designs complement this most joyful and literate of musicals, a fitting tribute to the recently deceased co-librettist Abe Burrows (9308681).

Gigi (Lyric): Unconvincing stage revival of Lerner and Loewe's film follow-up to My Fair Lady, Beryl Reid rising inimitably above the material, Jean-Pierre Aumont and Sian Phillips lending more conventional support. John Dexter directs, Jocelyn Herbert designs. (4373686).

Camille (Comedy): Pam Gems's rewrite gives Marguerite Gautier a child for whose future security she exchanges her own frail health and love. Don Daniels's studio RSC production does not transfer that well, but Frances Barber is an actress to watch. More coughing on stage than in the stalls, for a change. (9302578).

Phedra (Aldwych): Welcome return of last year's Philip Prowse production, beautifully costumed, with a brave attempt at the Racinian metre in Robert David MacDonald's translation. Glenda Jackson superb in a strong cast also boasting Georgina Hale, Joyce Redman, Gerard Murphy and Robert Edison (8366404).

TOKYO

Noh: There are performances at most of Tokyo's Noh theatres at weekends. Details in Tokyo English dailies and Tour Companion available at major hotels. Two handy little books A Guide to Noh and Guide to Kyogen in most hotel bookstores give summaries of plots.

WASHINGTON

Night Mother (Arena): Marsha Norman's searing view of a mother and daughter on the night the daughter announces her intention to commit suicide requires a strong stomach for hard-bitten realism. This production by James C. Nicola has Halo Wines as daughter Jessie and Ann Guilbert as mother Thelma. Ends Dec 8. (4883300).

CHICAGO

King Lear (Goodman): The Stratford Festival of Ontario production puts *Lear* in a rustic setting that looks much like the North American frontier. Ends Dec 22. (4433810).

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (2396262).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (2396200).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (7572626).

I'm Not Rappaport (Booth): In moving to Broadway, Herb Gardner's touching, funny and invigorating play about two oldsters retains its stars, Judd Hirsch and Cleavon Little, who almost conquer the world when they think they are just bickering with each other. (2396200).

Arts Council/Antony Thorncroft

More money than expected

The 200-odd clients of the Arts Council can release their breath—their grants for 1986-87 will be raised, on average, by 4 per cent, better than expected. A few will receive no increase in aid; some a boost of over 4 per cent; the great majority, including the big clients like the Royal Opera House and the National Theatre, can expect around 4 per cent more, perhaps not sufficient to cover inflation but good enough to stay in business at their current rate of activity.

The Arts Council has split its basic grant of £110.6m in a way which bolsters its current clients but backtracks on its "Glory of the Garden" programme of pushing more funds towards the provinces. It has found, mainly from its reserves, £2m extra for regional development but basically its future hopes have been overtaken by the need to keep the existing companies going at a time of marginal cuts in Government expenditure on the arts.

Last week the Arts Council announced that it could not make good the £700,000 spent by the doomed metropolitan councils on five theatres—Sadler's Wells in London; the Philharmonic Hall and the Empire in Liverpool; the Theatre Royal Newcastle; and the Sunderland Empire. Their future depends on generous local authorities.

The Arts Council will announce how it will distribute the extra £25m it was given by the Government to compensate for the abolition of the mets after it has completed talks with successor authorities. It is hopeful that they will make a contribution to the £10m shortfall in subsidy that remains.

Saleroom

After its success on Monday night, when it sold Impressionist and modern pictures for £4.5m with only 9 per cent unsold and achieved auction records for Chagall and Fantin-Latour, Christie's returned to a more normal Impressionist sale yesterday morning with a £1m total and 31 per cent bought in.

The top price was the £91,800 for a portrait by Renoir of his son Jean as a child, while the London dealer Nigel Pollitzer paid £70,200 for a portrait of a couple by Nolde. A Utrillo street scene realised £35,880.

Christie's South Kensington was doing quite well with its tribal art, a rare Owo bronze ancestor head, perhaps the best to appear at auction, doubling its estimate at £16,000, and an Owo ivory divination tapper also beating its target at £9,500.

A.T.

FINANCIAL TIMES
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Wednesday December 4 1985

Bigness and competition

TAKEOVER activity on the London stock market is reaching a level which dwarfs the merger boom of the early 1970s. But the proposed bid by General Electric Company for Plessey, which was announced yesterday, is of a different character from the opportunistic or defensive deals which have been common in recent weeks. It is based on old-style "industrial logic," designed to achieve rationalisation—primarily in telecommunications equipment. It is reminiscent of the moves made by GEC itself nearly 20 years ago, when it took over, first Associated Electrical Industries and then English Electric. Those deals led to on overdue and successful reorganisation of the country's heavy electrical industry. Whether GEC can repeat the exercise in telecommunications and electronics is open to question: while it obviously has the necessary financial resources, its recent record in these fields has been mixed.

Developments both in the UK market and overseas have made changes in the structure of the British telecommunications equipment industry almost inevitable. The newly privatised British Telecom is free to buy switching equipment from non-UK suppliers and has begun to do so on a significant scale. BT has made no secret of its dissatisfaction with ita traditional suppliers (Plessey and GEG), which in turn complain that BT's overseas purchases deprive them of economies of scale. In this context a pooling of resources makes obvious sense, even though it might lead to a higher level of imports as BT continues to diversify its sources of supply. But the bigger challenge for the merged company would be to enlarge its share of the export market, where the British position is at present weak. Catching up with the world leaders in the US and elsewhere will be a formidable task; all that can be said is that a combined Plessey-GEC is more likely to do it than the two

Monopoly

Should the Government refer the proposal to the Monopolies Commission? There are obvious competitive implications, both in telecommunications and in defence electronics; the Ministry of Defence, determined to promote competition among its suppliers, might well be uneasy. But the two most important customers, British Telecom and the Defence Ministry, are themselves near-monopoly buyers which are well able to look alter themselves; both of them can find rival suppliers abroad if necessary and should be under no political pressure to buy British. If the aim of the deal is greater international competitiveness, a more competitive home market is also needed. There is a case for Monopolies reference, if only to explore fully the competitive aspects and perhaps to recommend some hiving-off where the combined group has a monopoly position. But, given free access to imports, the case is much less strong than with some recent food and retailing mergers, where competition from overseas is slight or non-existent.

The future of Britain's electronics industry has to be looked at in an international context. As long as the home market is genuinely open, the existence of very large British companies is acceptable and even desirable in sectors where economies of scale are important. But the enthusiasm for economies of scale should not be carried too far. Many of the mergers of the 1960s and early 1970s, which were justified on grounds of greater international competitiveness, failed to achieve the desired results.

Moreover, electronics is at a very different stage of development from that of the heavy electrical industry 20 years ago. Technology is advancing rapidly, creating new opportunities for nimble entrepreneurs. It would be most regrettable if a GEG/Plessey combination produced a merger wave amoog other electronics companies, leading to a consolidation in the hands of two or three giant concerns. Quite apart from the undesirable political consequences of such a concentration of lobbying power, multiple centres of initiative and innovation are required in this industry — a point which the Government should bear in mind in considering Monopolies Commission refereoces.

The "national champion" approach, in which a country puts all its resources in a sector behind a single chosen instrument, is—or should be—well and truly buried. The GEC/Plessey proposal represents one possible strategy, but it is not the only one. Some will prefer to stay small, specialising in selected "niches" of the business. Others will look for partnerships outside the UK which offer technological or marketing advantages. But whatever the strategy chosen, competitiveness on a world scale must be the objective.

Austria blots its copybook

AUSTRIA, which so often is held up as a model of macro-economic management, has badly blotted its copybook. The open crisis which has broken out in its state-owned industry has focused attention at home and abroad on some serious shortcomings. Unless the crisis is mastered, it may seriously place in question the entire basis of the Austrian model—the consensual system known as social partnership between labour and employers.

Emergency measures have been taken since it became known last week that losses at Voest-Alpine, the steel and engineering concern which is the biggest state-owned enterprise, are spiralling out of sight. The entire board of management has resigned. New capital has been provided and the minister for state-owned industry, Dr Ferdinand Lacina, has given a public assurance that the Government intends to restore the capital basis of the troubled concern.

But these are first aid measures only. A cure will require the abandonment of the belief that Voest and other state-owned enterprises can afford to support plant and jobs for whose output there is no market demand. Mr Lacina stated the problem

What went wrong at Voest is easily summarised. The core steel and engineering business at Linz has mastered the international steel crisis quite successfully. But Dr Bruno Kreisky, the former Socialist Chancellor, for reasons of regional policy, made it merge with an unviable steel mill at Donawetz in Styria and take over an unprofitable special steel industry.

Final straw

In its efforts to get out of the red the board diversified into commodity chips as then was the worldwide fashion and burnt its fingers. A steel venture in the US proved disastrous and the final straw was heavy losses in futures markets made by Voest's trading affiliate.

An understanding of the problems dogging Voest and other state-owned Austrian enterprises requirea some knowledge of the history of the sector. Nationalisation occurred after the war, as in Britain, but not as the result of applying socialist doctrine. Socialists and conservatives united to place in the hands of the refounded Austrian republic positions of economic power that from 1938 to 1945 had bee nin German hands.

At the same time the consensual systm was born in which labour and managements agreed to live and let live. For many years Socialists and the conservative Austrian People's Party governed together. Though that grand coalition has broken up, jobs and positions of influence still tend to be shared out among the parties.

Whether the spoils system ensured the appointment of the best available talents may be doubted. But the arrangements ensured industrial peace and helped to transform one of Europe's backward countries into a small but effective industrial power.

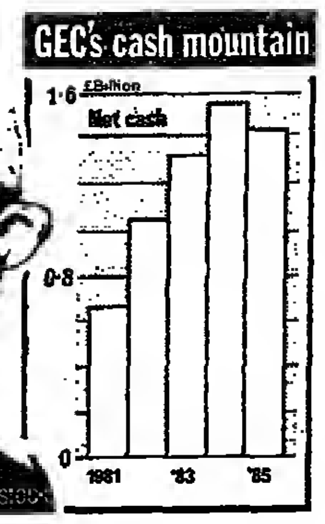
Insistence

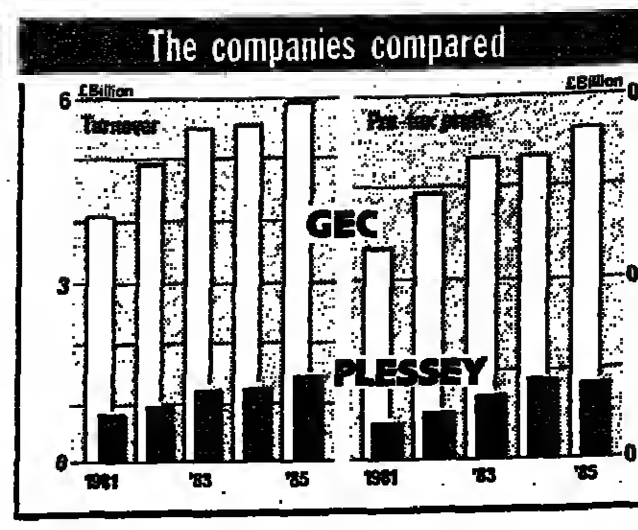
What the state sector has proved unable to do is to satisfy the insistence of politicians of all parties that it must provide jobs, as at Donawetz, which have no market justification. Nor has it been allowed the flexibility required to make the structural adaptations needed.

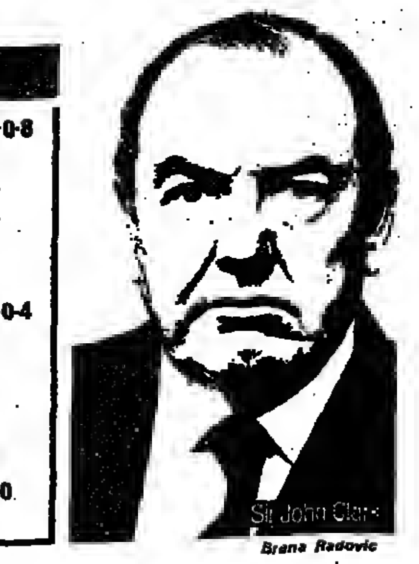
The result has been disproportionately slow growth of productivity, disguised unemployment and the need for regular government money from a stretched budget to compensate for losses. During the recession the sector's political masters could argue that it was better to subsidise jobs than to pay unemployment benefit. But in the improved business climate, that argument is looking increasingly threadbare.

Dr Lacina's statement about the need for profits shows that this realisation has begun to sink in.

As regards the larger issues, social coosensus is in danger of becoming an excuse for taking the easy option. Where too heavy a price is paid for consensus, consensus itself will eventually break down.







Brana Radovic

GEC'S BID FOR PLESSEY

The mountain starts to move but may still meet resistance

By Guy de Jonquieres

THE General Electric Company's £1.2bn bid approach for Plessey both marks the end of months of City speculation about the next stage in GEC's corporate strategy and what could prove the start of a restructuring of Britain's troubled electronics industry.

Lord Weinstock, GEC's managing director, was keen yesterday to emphasize the benefits of a merger in terms of efficiency and international competitiveness, particularly in the area of telecommunications, where both companies are involved in making System X exchanges.

These arguments will undoubtedly find an echo in some parts of the Department of Trade and Industry, where there have been signs of growing concern about the weakness and fragmented structure of the UK electronics sector in the face of increasing international competition.

However, the proposed merger also raises two other important—and in a sense, opposing—questions. These are, how it will square with Government competition policy and how effective it will be in producing a combined group really capable of making an impact on world markets.

British Telecom, which is overwhelmingly both GEG's and Plessey's largest customer for telecommunications equipment, may wel lsee virtue in a merger. It has long complained about the shortcomings of the System X production arrangements—which require the two companies to collaborate while supposedly also competing against each other.

The newly-privatised BT is keen to diversify its procurement internationally and has already opened the UK public exchange market to Thorn-Ericsson, jointly owned by Thorn EMI and Sweden's L. M. Ericsson. BT also wants to buy 51 per cent of Canadian private exchange maker Mitel, though its bid has been referred to the Monopolies and Mergers Commission.

Hence, BT would probably not be too worried about any diminution of competition resulting from a GEG Plessey merger. Moreover, earlier this year, Lord Lucas of Chilworth, a trade minister, publicly encouraged the idea of a merger of the two companies' telecommunications businesses.

The liberalisation of the UK telecommunications market and BT's tougher procurement policies are, of course, a major factor in the recent problems of the UK electronics sector. Profits of most leading manufacturers, including GEG and Plessey, have been under pressure, and STG, a traditional BT-supplier, has been struggling with serious difficulties.

Where the GEG proposal may run into official resistance is in defence, since it appears to run counter to the UK Defence Ministry's efforts to promote increased competition between suppliers. There is substantial overlap between the two companies' businesses, particularly in radar, tactical radio and other typea of communication. Plessey's activity in sonar systems is the only major area where GEC has no presence.

A higher proportion of Plessey's defence sales are outside the UK than is the case for GEC, and GEC will doubtless argue that a merger would unify the two companies' efforts overseas, where they sometimes compete head-on.

But MoD officials may need some convincing that the bid amounts to much more than an attempt by GEG to expand its already large UK market share. Whether it would be possible to meet MoD objections through compromise which merged the two companies' telecommunications operations but left their defence businesses separate, is very much an open question.

Many industry analysts wonder how long GEC and Plessey can hope to survive on their own in telecommunications. But the two together would hardly be a giant. With combined telecommunications sales of about £1.4bn a year they would, byt Lord Weinstock's own reckoning, be the seventh largest company in the industry.

"I think the industrial logic is flawed," Mr Douglas Hawkins, of stockbrokers James Capel, said yesterday. "A merger would consolidate GEG's position in the UK, but I think the money would be better invested in a comparable business operating in a much larger market."

Plessey has been the more adventurous of the two about expanding overseas. Though the wisdom of its acquisition in 1982 of US telecommunications manufacturer Stromberg Carlson has been widely questioned, few industry analysts dispute that the broad thrust of its strategy was right.

While Plessey has invested substantial sums to develop telecommunications products which it is free to sell worldwide, some of GEG's key products are still made under licence from other manufacturers on terms which often restrict its geographic markets.

None the less, GEC's surprise bid has set the ball rolling in an industry whose structure had started to look peculiarly immobile by contrast with the dramatic changes in its world markets. It remains to be seen whether Plessey—or the Government — will pick the ball up.

Lord Weinstock sets out for the centre of the telecoms stage

AFTER DECADES of stately and predictable progress, the international telecommunications industry is suddenly breaking into a brutally competitive veraion of the elimination quickstep. Worldwide, companies are scrambling to choose partners before the music stops.

With major US companies, including American Telephone and Telegraph and International Business Machines, the large computer manufacturer in the van, the structure of the industry is being reshaped by a proliferation of corporate alliances, takeovers and mergers.

Three principal and related forces lie behind the upheavals:

- The accelerating merger of computing and telecommunications technology, which is opening up huge opportunities for new products and services in areas such as office systems, factory automation and high-speed data transmission.
- The need to gain access to a wider range of international markets to achieve higher sales volume in the face of shorter product life cycles and fiercer competition. This has become particularly important since the break-up of AT & T almost two years ago threw the U.S. telecommunications equipmeot market wide open to competition.
- The sky-rocketing investment needed to develop and update sophisticated new electronics products, for which the cost of writing computer software can often exceed tooling and manufacturing costs.

Nowhere are these trends more dramatically visible than in public switching—the manufacture of telephone exchanges for public networks—which has long been the bread-and-butter business of leading telecommunications equipment manufacturers.

The changeover from electro-mechanical to computerised digital technology has sent the initial cost of developing such exchanges soaring to between \$500m and \$1bn, while companies need to spend as much as \$100m more annually to keep them up-to-date.

It is estimated that a company can afford such investments ooly if it can sell at least 1.5-2m exchange lines annually—and that threshhold is rising steadily as prices fall by arouod 20 per cent a year. But few of the world's 20-odd suppliers can any longer obtain such volumes ooly in the home markets which have traditionally provided most of their sales.

This grim arithmetic has caused even AT & T, by far the world's biggest manufacturer, with annual exchange sales worth more than \$2bn, to expand overseas, while European compaoles such as Siemens, L. M. Ericsson, Alcatel Thomson and Plessey are all seeking to enter the US market.

The problem of achieving economies of scale is particularly acute for European companies because their fragmented national markets are mostly quite small and because there are so many of them. Ten companies are struggling to sell digital exchanges in Europe, which accounts for barely a fifth of the world total.

Several European suppliers have already been forced to drop their own digital exchange programmes. They include Philips of the Netherlands, which has formed a joint venture with AT & T, Britain's STC, Hasler of Switzerland and France's Thomson, whose telecommunications business was effectively taken by CIT—Alcatel in 1982.

Both the French Government and the EEC Commission have called repeatedly for European suppliers to join forces in telecommunications manufacturing. But little progress has been made, and it now seems much more likely that the main axis for European reorganisation will be transatlantic.

Siemens, which has long been cool towards European co-operation, is already in advanced talks with GTE, the second largest US telephone company, on a proposed joint venture. Some industry observers believe the talks could result in GTE phasing out its own telecommunications manufacturing business and opening its network to Siemens equipment.

France's CGE group, owner of Alcatel Thomson, has also held extensive negotiations with AT & T. These have been blocked by the French Government in advance of next year's parliamentary elections — both for political reasons and because French officials judged the proposals too favourable to AT & T.

Ironically, the Government-backed merger which created Alcatel Thomson in 1982 was supposed to produce a world-class telecommunications champion. However, it has failed to do so. Alcatel Thomson has not sold enough public exchanges overseas to compensate for a sharp decline in orders at home since 1978.

France's experience may be instructive for Britain. A merger of GEC and Plessey could lead to a more rational industrial structure and more efficient production of System X digital exchanges. But given the spread of international alliances and the fierce battle for global markets, would a purely UK-based solution be enough to assure a world-competitive industry?

TELECOM EQUIPMENT SALES LEAGUE*

	$
1 AT & T (US)	10.2bn
2 ITT (US)	4.7bn
3 Siemens (W. Ger.)	3.4bn
4 Northern Telecom (Canada)	3.3bn
5 L. M. Ericsson (Sweden)	3.2bn
6 IBM inc. Rolm (US)	3bn
7 Motorola (US)	2.9bn
8 NEC (Japan)	2.7bn
9 Alcatel-Thomson (France)	2.6bn
10 GTE (US)	2.3bn
11 GEC (UK)	1.4bn
12 Philips (Nethds)	1.2bn
13 Fujitsu (Japan	1bn
14 Plessey (UK)	0.9bn
15 Harris (US)	0.8bn

*1984 figures

Source: Arthur D. Little

Men and Matters

Third man promoted

Michael Angus, the chairman elect of Unilever, sees one advantage in his forthcoming elevation. For two years, he has been the third man on Unilever's Special Committee, the all-powerful triumvirate made up of the two chairmen of the British and Dutch sides of the group and one other director.

"It's a three-man chief executive, and theoretically equal," Angus says. "But some are more equal than others. With two chairmen it's never very clear who's number one. But there's never any doubt who's number three."

Unlike the outgoing British chairman Sir Kenneth Durham, who spent his formative years with Unilever as a scientist, Angus is a marketing man through and through. He started 30 years ago as a toiletries salesman—"I was actually a management trainee, but they threw you in at the deep end"—and on the road to grander things was brand manager for Sunsilk shampoo and head of the grouo's market research company Research Bureau.

His promotion to the Special Committee was the reward for turning round Lever Bros, the group's huge and sprawling detergents-to-margarine empire in the US, from heavy losses.

"It was in loss for the wrong reasons," says Angus. "I never mind red ink if there's a good reason."

Slimmer figures

High street stores take note. For the second year in succession the Government is taking a lead by slashing the retail prices of its products.

Mind you, the fact that the products are official statistics narrows the competition considerably

The Central Statistical Office is once again cutting the prices of all its periodicals published by the Stationery Office.

The annual subscription to Economic Trends, for example, was cut by £24.25 last year to the present level of £125. Next year it is to cost only £115.

The monthly Digest of Statistics came down by 35p a copy last year, and is being reduced by a further 20p for the coming year.

The CSO says the cuts are being achieved by greater efficiency without any reduction in quality, size, or coverage of the publications.

In its small way the GSO is putting a better shine on the very statistics it sells.

Political comeback

Bou-Bou is back — but hardly in triumph. Robert Bourassa, Premier of Quebec from 1970 until his Quebec Liberal Party was swamped by the autonomist tide of the Parti Quebecois in 1976, can pick up where he left off as a result of his party's victory in Monday's elections.

But voters welcomed the party back rather more warmly than its leader. Bourassa was defeated in his own Montreal constituency and will have to worm his way into the provincial legislature in some future by-election.

Bourassa, 52, an Oxford and Harvard trained economist, has always seemed a somewhat cold technocrat to the electorate. He is certainly no television star; and throughout the election campaign trailed badly behind the Quebecois leader, Pierre Marc Johnson, 39, in the personal popularity ratings.

But Bourassa rebuilt his team and worked hard at constituency level to win, just as the Parti Quebecois did in 1976.

After that defeat by Rene Levesque, the PQ founder, Bourassa seemed finished. But he planned his comeback with adroit timing. He spent some time studying and teaching in Brussels, and at John Hopkins in Washington.

Bourassa then returned to the political platform in Quebec. A spontaneous welcome from thousands of workers at the C$14.5bn James Bay hydro project, which he started in the '70s, set him firmly on the come-back trail. He was re-elected party president in 1983, winning a by-election a year later.

The slightly-built and stooping Bourassa, who married into the wealthy Simard shipbuilding family, set a breakneck pace during the six-week campaign.

He covered just about every corner of the province, an area six times bigger than Britain with six million population. He always had two or three phones at hand, in plane or car, to keep in touch with his party organisers.

And he got through to the voters, too, with his promise of better economic management.

"Well if we're all from the Fraud Squad let's form a Syndicate"

Laager hour

South Africa's problems have been muted since the ban on television coverage has taken the rioting there off the world's screens.

But another picture emerges in the South African Financial Mail, which has cheekily borrowed the FT's Saturday pages title, How To Spend It, for a survey of its own, sub-titled The Rich At Play.

For the South African well-to-do, it says, fun is high on the priority list. "They are determined to enjoy themselves—while they still can."

It adds: "Admittedly large numbers of the moneyed folk are too busy planning their escape by land, sea or air, to afford the time off for a brief interlude in a world of fun or fantasy.

"But the eat, drink and be merry for tomorrow you may die attitude, as they splurge on anything remotely connected with relieving the doom and gloom, is very much in evidence. And who can blame them?"

Of no account

The sharp-eyed members of British Telecom's debt recovery group miss nothing. Hence, apparently, this signed letter to a subscriber in south-west London the other day:

"Dear Sir/Madam, You may have forgotten that the instalment of £0.0 on your bill for telephone number 01 —— is now overdue.

"Will you please send me the £0.0 by return. If you do not, it may become necessary to take legal action to recover the debt."

Non-plussed by this demand for non-payment, the subscriber says she has sent a suitably non-committal reply.

Observer

UNESCO

Reforms may not pass the Thatcher test

By Robert Mauthner, Diplomatic Correspondent

BRITAIN'S decision whether to withdraw from Unesco — the 160-member United Nations Education, Scientific and Cultural Organisation—which is due to be taken tomorrow, will be more difficult than was originally thought.

When the Government gave the statutory 12 months' notice of withdrawal in December last year, the conventional wisdom was that that would be its final verdict. But the official position has always been that, if sufficient progress were made in the interim to meet Britain's demands for reforms, the Cabinet reserved the right to rescind its original decision.

Over the past 18 months developments within the organisation have been positive enough to merit second thoughts on the part of the Government, as reflected in recent ministerial statements on the subject.

It was in April 1984 that Mr Timothy Raison, the Minister for Overseas Development, wrote to Mr Amadou-Mahtar M'Bow, Unesco's controversial Senegalese Director - General, setting out Britain's proposals for changes in the organisation's programme and procedures.

Two weeks ago, Mr Raison summarised the Government's complaints in a House of Commons debate. Unesco had suffered from inefficiency, over-politicisation and obscure programming for many years. It was over-centralised, with a top-heavy administration, out-dated procedures and poor delegation of authority and was being used increasingly as a forum for the propagation of political ideas repugnant to the British people.

The so-called New World Information and Communication Order, worked out by a *Unesco-sponsored* commission, posed a threat to the freedom of the press because it could be used to justify rigid government controls.

What Mr Raison did not say in public was that the British Government was as dissatisfied with the way Mr M'Bow carried out his functions as was the US, which withdrew from the organisation at the end of 1984.

Many national delegates consider Mr M'Bow to be arrogant, over-sensitive about his position and fundamentally uninterested in long-term reforms of the organisation.

That has not prevented Britain, as distinct from the US, during its one-year period of notice, from actively pursuing reforms in co-operation with its western partners. Indeed, if the outlook today is a good deal rosier than it was when London first indicated formally that it wanted to see changes if it were to remain a member of Unesco, it is largely thanks to the efforts of the British Government itself.

The *Government* considers the results of Unesco's biennial conference, which took place in Sofia from October 8 to November 9 to be somewhat of a mixed bag, containing an almost equal balance of satisfaction and disappointment.

UNESCO'S main budget for 1986/87 has been fixed at $307,223,000, reflecting both a zero growth rate and the withdrawal at the end of 1984 of the US, which contributed 25 per cent of the total. Britain's contribution in 1986, if it remains in Unesco, would be $9m (£6.4m at current exchange rates), or 4.6 per cent of the total.

Between 1979 and 1983, more than 1,000 operational projects were carried out in some 100 countries by Unesco. The organisation was involved in literacy campaigns in developing countries involving 15m adults and young people without formal schooling and, in 1980, helped in the training of some 30,000 teachers.

Unesco runs 29 international campaigns to save historic monuments in different parts of the world. Its most spectacular achievement has been the preservation of the temples of Egyptian and Sudanese Nubia during a 20-year period up to 1980, including notably the dismantling, removal and reconstruction of the twin temples of Abu Simbel.

Ongoing scientific programmes run by Unesco include the International Geological Correlation Programme, the International Hydrological Programme and the Programme on Man and the Biosphere, which has created 243 reserves to protect precious flora and fauna.

Mr Amadou-Mahtar M'Bow

The positive aspects, as Mr Raison made clear, were by no means insubstantial. The conference, unanimously adopted a zero growth budget of $307m for 1986 and 1987, with no extra costs arising from the withdrawal of the US, whose financial contribution made up 25 per cent of the budget.

The language adopted on the controversial new world information order ensures that this programme, which the Western countries fear would restrict the freedom of the media, will no longer be pursued with the same urgency.

Britain is also pleased that the atmosphere at the conference was less political than before. In contrast to *previous* occasions, Unesco adopted "acceptable" resolutions on the Middle East which fell within its competence and several irrelevant political resolutions tabled by the Eastern European countries were rejected. The Western group succeeded in getting the conference to accept a distinction in the definition of human rights and people's rights, interpreted by the Communist countries as the rights of states rather than individuals.

The "significant disappointments" related mainly to the priorities given various programmes under a new rating system. Britain had been pressing for the greatest priority to be given to key elements of the programme concerned with education, science and culture at the expense of less useful and more theoretical activities.

It failed, however, in persuading the conference to accept that the *major* programme dealing with peace, disarmament and human rights should be subject to an average overall reduction of 25 per cent.

No more than a *small start* has been made on the British demand for greater decentralisation of resources and functions arising from the striking fact that between 70 and 80 per cent of Unesco's budget is allocated to activities at its Paris headquarters. But at least something is being done in the right direction.

Figures provided by Unesco's Secretariat show that decentralised spending for the next two-year period compared with the current period will be up by 64 per cent in the field of culture, 36 per cent for communications and nearly 30 per cent for social and human sciences.

In the two practical areas close to the reformers' hearts, however, progress is much more modest. Decentralised education activities will increase by only 9.7 per cent and those in the natural sciences field by only 15.8 per cent in 1986/87.

Though the Government has always said that it would review the pros and cons of withdrawal from Unesco on the basis of what was achieved at the Sofia conference, it is clear that it *must* also *take* into account much wider political, financial, historical and factual considerations.

Mr Raison is already on record as saying that the costs of British membership will not be the decisive factor in the Government's decision. Britain's contribution for 1986 would be a modest $9m (£6.4m) and calculations published by the Commons Foreign Affairs Committee show that the financial return to Britain from Unesco in the form of salaries, contracts and purchases of equipment and books is at least as great as this sum.

Much more important are the international implications of Britain's withdrawal. The UK, as its European Community and Commonwealth partners do not cease to point out, has a special position in the organisation. Indeed, it could be said to be its *principal* founding father.

Unesco was born in London in 1945 following a series of conferences of Allied Ministers of Education. Its first director-general was Sir Julian Huxley, the eminent scientist, and the constitution of Unesco was largely the work of Britons.

The basic treaty document is held in London and new members are required to deposit their instruments of adhesion with the Foreign and Commonwealth Office. The UK's Auditor General is responsible for verifying Unesco's accounts.

Even those who fully support Britain's reform efforts—and that includes virtually the whole Western group of nations—do not accept the argument that those efforts will be promoted most effectively by Britain's withdrawal. On the contrary, the general opinion among member nations is that the impetus for reform will be lost if its main proponent is no longer there to bang the drum.

Nor is Britain likely to be comforted in its action by the withdrawal of other like-minded nations, with the possible exception of Singapore. West Germany and Japan, for instance, have already indicated that they consider the results of the Sofia conference to be satisfactory enough to remain inside the organisation.

Other possible political consequences have been underlined by the Commons Foreign Affairs Committee, the Commonwealth countries and Britain's EEC partners. The all-party committee, which came out strongly in favour of Britain's continued membership last September, said withdrawal would weaken western influence *inside* Unesco and hasten the transfer of the organisation's leadership to the Soviet Union.

The Commonwealth countries have repeatedly urged Britain not to take a step which might be taken as a sign that Britain was no longer interested in the problems of developing countries.

If Mrs Thatcher and her Cabinet colleagues raise their sights from the nitty-gritty reform balance-sheet to these wider international implications, there is still a slim chance that the decision to withdraw might be rescinded or modified.

'Since wars begin in the minds of men, it is in the minds of men that the defences of peace must be constructed'

UK unemployment

Corporation tax rebates could create more jobs

By Leslie Palmier

THERE CAN be little doubt that unemployment is now the most important economic problem, *if* only *because* the others seem under better control. Growth has resumed, without being fuelled by inflation — a quite remarkable achievement in this country's recent history.

But unemployment remains intractable. More jobs have been created but not enough of them, particularly in view of the increasing number of women trying to find work outside the home. The Chancellor's belief that economic growth will in due course produce sufficient employment is only justified if the increase in productivity is greater than the rise in wages—given a strongly unionised workforce, the chances of this happening are rather slight.

A recent report from the Society of Motor Manufacturers and Traders showed vividly that greater productivity in manufacturing has been paid for by a reduction in employment and similar results have been, and will continue to be, reported elsewhere in British industry.

How then to encourage employers to take on more workers? Mr Lawson asserts that the Government is doing all it can but there is one important fiscal measure, which is non-inflationary, and which could have a major impact.

In short, the Government should reward companies which reduce their average wage per employee by a consequently lower rate of corporation tax. This would be congruent with the withdrawal in the last budget of capital allowances, which were widely seen as encouraging an undesirable preference for machines over men.

If the average wage had risen or remained the same, the company would, as now, pay the standard rate. A rebate would be earned even if higher wages were paid to those on the books in the previous year, provided that by the end of the current year enough unskilled and lower paid had been taken on. We are, of course, speaking of real average wages, that is to say discounted for any fall in the value of money. Also, to preclude a padding of the rolls with part-timers, the wage may have to be calculated on an hourly basis from records necessarily kept by firms for their own purposes. If the rebate had the effect of making for more employment and less overtime, this would be all to the good.

The proposal is designed to address two fundamental problems. First, unemployment appears to be worst among the younger and the less skilled; relatively speaking, the better trained have fewer difficulties. Secondly, unemployment will be significantly reduced only when the large companies take on more labour. This is not to decry the efforts being made to encourage small businesses, but it is doubtful if they can provide sufficient jobs rapidly enough. What seem to be required are measures which will encourage the bigger employers to take on more of the younger and the less skilled labour, so as to offset, if only in some degree, the labour-shedding thrust of available technology. The continuing reduction in the rate of interest may help to an extent, in that companies now leaving large funds on deposit may find it more profitable to employ people.

But cheaper money will also make it easier to buy machines, so perhaps not too much should be expected from this quarter. Rather than macro-measures, it seems better to take action, aimed directly at the target of reducing unemployment, which does not suffer from the blight of euphemised inflation, and thus more unemployment.

Measures are needed which will encourage the bigger employers

A corporation tax rebate as outlined need not be inflationary since it could be set at a level that *would* be *more* than compensated by the reduction in unemployment benefits and, possibly, increased income tax. Moreover, unlike an indiscriminate employment subsidy, the price of scarce labour would not be bid up and so encourage wage-push inflation. And the present competitive, non-inflationary climate should ensure that the rebate does not encourage feather-bedding and the consequent increase in unit costs.

Fears that this proposal would work against the re-equipment of British industry seem exaggerated. A reduction in corporation tax is unlikely to deflect a firm from adopting the technology it requires to remain competitive. The *measure suggested would have* an influence only at the margin, for instance in the choice between alternative, equally competitive, methods, where it would encourage choosing the one which required most labour. But the cumulative effect of such decisions, could be considerable.

Not all firms, admittedly are incorporated and in a position to benefit. But nearly all large employers are companies, while it should not be difficult to devise similar inducements for the unincorporated.

Such a measure can also be adapted to encourage firms to resist claims for wages well above the increase in productivity, and which therefore cause unemployment. It would be salutary for boards of companies to know, for instance, that a rise in average wages above a stipulated figure would incur the penalty of increased Corporation Tax.

Some might see in this "employment rebate" an inducement for employers to cut pay. But the level of wages surely owes more to union strength than to lack of fiscal penalties. To the extent that the rebate increases employment, so it will strengthen the unions.

Finally, there are important distinctions between the proposal being made and the former Selective Employment Tax. This sought to shift workers from service industries to manufacturing, and from areas of high employment to those of low, and the many definitions required resulted in considerable manipulation. The rebate suggested seeks only one, fairly unambiguous end, so making it relatively easy to police; it is also, self-financing from the point of view of the Exchequer.

The measure, of course, is not intended for eternity. Once unemployment has been reduced to tolerable levels, the time will have come to consider whether the rebate should not be discontinued. If, for whatever reasons, its object was being frustrated, it should be withdrawn forthwith. With those qualifications, however, there seems little doubt that such a measure, and no doubt similar fiscal steps, would help in reducing unemployment.

The author is Reader in Sociology at the University of Bath.

Letters to the Editor

Westland's future

From Mr K. Warren MP

Sir,—I read with great concern your report (December 2) about the meeting at the Ministry of Defence last week where representatives of the French, German and Italian Governments and their helicopter manufacturers reviewed *the* future business opportunities of Westland Helicopters, as seen by our Government. The Ministry is the principal customer of this private enterprise company. The others are Westland's principal competitors.

Although my concern includes the authority, status and consequences of the meeting, about which I am writing to Mr Heseltine, my prime concern is the impression such a meeting, convened by its principal customer, will have on its other customers, let alone its competitors.

Westland *is* a major UK engineering resource. It is backed up by numerous UK companies supplying avionics, engines and support services. Indeed their input value to the helicopters produced is twice as great as Westland's. From a rapid survey of these companies I can find none which was consulted or invited to the meeting.

The business world knows Westland has been facing difficulties. The aviation world knows how much the company needs the long awaited decision on helicopters for the defence of the UK. I find *it impossible* to believe that the best way for HMG to help Westland is to call in its competitors.

Westland's salesmen are fighting hard to sell their products and so promote British industry. If their company is to have a future at all surely it is essential for them to be allowed to make their own decisions without a government department forgetting this is Conservative policy.

Kenneth Warren,
House of Commons, SW1.

Staying in Unesco

From G. Foulkes, MP

Sir, — You are wrong to be complacent (December 2) on the question of UK withdrawal from Unesco. What is at stake is the UK's credibility and influence with its closest allies in Europe and the Commonwealth, and the future of our relations with developing countries.

Let us not forget that Commonwealth countries have been lobbying unanimously for continued *British* membership. At a time when Britain's credibility has already been impaired by the Government's attitude to sanctions on South Africa, Commonwealth countries would find it hard to understand how a Government which signed the Nassau declaration which stated "We recognise that the institutions of the UN are not without imperfections but are convinced that the solution lies not in their rejection but in their rejuvenation", could then proceed to pull out of Unesco.

There can be no doubting the importance which developing countries attach to continued British membership, which goes a long way to explain why they have given such active support to a process of reform, which has resulted in a detailed timetable for the achievement of all those reforms which the UK has been seeking and which have not already been carried out. In addition the recent general conference confirmed a streamlined committee, drawn from the executive board and separate from the secretariat, to oversee that timetable of reform.

It is also clear, as the Royal Society and other bodies have stated, that much of the work undertaken by Unesco on droughts, earthquakes and others, could not be undertaken on a bilateral basis and that the only multilateral body operating in these fields is Unesco. In other words, *our* international commitment could not be preserved *outside* Unesco.

You complain of the development of Unesco from *its* post-war ideal into a bureaucratic machine. The fact is that this burgeoning of bureaucracy was inevitable given the process of decolonisation which has occurred. The only alternative *is* to deny the new independent countries a voice in the UN, which I assume you are against.

Given these factors and stressing once again the enormous steps which Unesco has taken in so short a *space* of time, there are no objective reasons for withdrawal. Such a step, would be seen and quite rightly, as a political appeasement of the US and an attack on the entire UN system. I hope that sensible voices within the Cabinet do not allow it to happen.

George Foulkes,
(Opposition spokesman on foreign affairs),
House of Commons SW1.

Third World attitudes

From the Chairman, British Youth Council

Sir,—I was disappointed by the curious lack of *logic* in your arguments about Britain leaving Unesco. Your editorial (December 2) begins by showing us the extent to which the difficulties complained about last year have been overcome, but concludes not encouraging the UK to remain, but in accepting withdrawal as inevitable.

The argument is not one about money. Nor does it seem any longer to be one about policy—since Unesco is clearly prepared to accommodate the fears Britain has about some past difficulties. It would seem that we are prepared to leave the only major international educational and cultural forum because of a nationalist policy in the US, as Mr Heath suggested recently in the Commons.

You say "the question is not nearly so important as it sounds." Yet one wonders if in *The Third World that* is the attitude. In countries where illiteracy touches three in four people one doubts whether such a dismissive attitude would be accepted. It may be true that "education, science and culture can thrive without it." but one wonders on how international a basis. The fact is that Unesco is the only body which has genuine international backing. Logically, if Unesco is dismissed, other UN bodies cannot be far behind.

Unesco has pushed aside those programmes to which British objections were strongest. It is up to us to push for greater literacy and education programmes within the organisation. Young people in the Third World deserve that much. It is certain, however, that shouting from the sidelines will not effect such change.

Malcolm Ryan.
57, Chalton St. NW1.

Lawyers and their assistants

From Mr P. Randall.

Sir, — Nicholas Sherrard's letter (November 27) gives rise to two interesting points. In these days of complex accountancy and financial data would not a solicitor who failed to seek the advice of expert accountants rather than leave it to counsel to "unravel" be guilty of negligence? After all, a solicitor's failure to seek medical assistance in a serious personal injury case with any complications would surely be seen at once as being remiss. And wouldn't a barrister who did not suggest expert advice in a financial matter be at risk, too?

Mr Sherrard seems to me to confine the need for specialist advice too narrowly in the litigation context. I realise that he sees the accountant's role as covering civil as well as criminal cases and not just those involving fraud. But he may have overlooked the importance of the specialist accountant's role in family law cases where such matters are daily before the courts in chambers. In my own case the only thing my ex-spouse and I were agreed about was that none of the lawyers understood the business accounts and the registrar was left to do what he called "rough justice." We heard afterwards that a famous advocate of the past had protested that such a phrase often concealed "just roughness." Isn't that just what has to be avoided?

Philip Randall,
47 Hanley Road,
Cobham, Surrey.

The Channel link

From Mr J. Clement

Sir,—Your leading article on the Channel Link (November 29) is a timely and powerful plea for greater consultation on a project of such magnitude.

It seems to be generally accepted that a fixed link will be in the national interest. But will it, I wonder, be in the interests of the whole of the nation? Is there not a possibility—even probability—that it will prove to be a major attraction for new industrial and commercial developments in the immediately surrounding ares, thereby adversely affecting the interests of the peripheral areas of Britain where such developments are more desperately needed? American firms wishing to set up new manufacturing ventures in Britain, as a "gateway" to Europe, might well decide that the locational advantages of being near to the link outweigh the financial incentives on offer in the other industrial regions.

There is also the question of public expenditure. Granted that the link itself is to be privately financed, but if, as is almost inevitable, there are major "spin off" industrial, commercial and residential developments in the vicinity there will be calls on the public purse to provide services for those developments

Given the Government's stance on public expenditure might this not mean the necessary funds being found at the expense of areas of greater need?

These are not necessarily arguments against going ahead with a fixed link, but they point to the need for much wider consultation.

The link should not benefit the south east of Britain at the expense of the "other half" of the nation. Let the whole country—not least mine—have a share of the cake.

J. H. Clement.
6, St Brioc Road,
Cardiff.

FINANCIAL TIMES

Wednesday December 4 1985

Carbide to pay extra $890,000 to Bhopal workers

By K.K. Sharma in New Delhi

UNION Carbide India, the subsidiary of the US multinational whose pesticides factory at Bhopal was closed after the gas leak tragedy a year ago, yesterday announced that it had reached a settlement with former workers at the plant on compensation claims.

The Indian company announced in Bombay that it would make a payment of Rs 10.7m (about $890,000) in addition to normal benefits for termination of employment received by the 627 Bhopal employees.

The former employees at Bhopal have been agitating for higher compensation than is stipulated legally on the grounds that closure of the pesticides plant was the result of highly unusual circumstances. The factory was closed on orders of the Madhya Pradesh state government after more than 2,000 people were killed and about 200,000 injured because they inhaled methyl isocyanate gas that leaked from storage containers.

The first anniversary of the worst industrial disaster yet was observed in Bhopal and Madhya Pradesh yesterday with prayers and with demonstrations against Union Carbide, which was strongly attacked for not having given any financial assistance or compensation to the gas leak victims, thousands of whom are still to be rehabilitated.

The Indian Government has filed a claim on behalf of the victims in a New York district court for compensation from Union Carbide. The company wants the cases to be dealt with in Indian courts.

Efforts to reach an out-of-court settlement have not succeeded and a long legal battle on the questions of jurisdiction and liability is expected.

The announcement that Union Carbide India has reached a settlement with the Bhopal workers' union on their compensation claims is expected to strengthen the argument of the Indian Government that special compensation should also be paid to the gas leak victims.

Cable and Wireless sale set to raise £933m

BY LUCY KELLAWAY IN LONDON

THE SALE of shares in Cable and Wireless, the UK telecommunications group, which will be the second largest UK equity issue after the flotation of British Telecom last year, has been fully underwritten at 587p a share, 5 per cent below Monday's closing price on the London Stock Exchange of 618p.

The issue will raise a total of £933m ($1.38bn), of which £602m will go to the Government, which is selling its remaining stake in the rapidly expanding telecommunications group. The remaining £331m will go to the company. The shares are in partly-paid form with 300p payable on application and the balance in March 1986.

The modest size of the discount came as no surprise to the City of London, and broadly matched that on the recent British Aerospace issue, although it was lower than the 10 per cent discount on the sale of shares in Britoil.

A campaign is now in full swing to inform the public about the Cable and Wireless issue, exceeded in intensity only by the British Telecom privatisation campaign.

Merchant bankers to the issue, J. Henry Schroder Wagg and Kleinwort Benson, have just completed a roadshow of Britain and continental Europe, raising awareness of the company among private investors.

"The feedback from the roadshow has been most encouraging and we are looking forward with confidence to this being a most successful issue," Mr David Clementi, of Kleinwort Benson, said yesterday.

The placing of the shares with institutional investors was yesterday completed by the brokers to the issue, Rowe & Pitman and Cazenove. As spelled out in the "pathfinder" prospectus released last month, up to two thirds of those shares can be clawed back from the institutions to meet demand from the public, existing shareholders and employees.

The prospectus will be advertised on Thursday and application lists will open at 10am on December 11. Prospective investors are warned to post their applications early to prevent them from becoming caught in heavy Christmas post.

Underwriters are not doing as well out of the issue as they did with some earlier government share sales, receiving a commission of only 0.5 per cent on the portion of shares being placed directly with them, and 1.25 per cent on the shares subject to the recall clause.

See Lex

Sohio to take $1.15bn charge for mining restructuring costs

BY WILLIAM HALL IN NEW YORK AND DOMINIC LAWSON IN LONDON

STANDARD Oil of Ohio (Sohio), British Petroleum's (BP) 55 per cent owned US subsidiary, is taking a $1.15bn after-tax charge that will primarily cover the cost of restructuring its loss-making mining operations.

Mr Alton Whitehouse, Sohio's chairman, said the charge, which will be taken against fourth-quarter 1985 profits, "results from a corporate-wide reassessment of our assets in light of today's circumstances."

For BP Sohio's write-offs will be reflected in an extraordinary charge of about £600m on the current year's accounts. This compares with oil analysts' estimates that BP will make profits of about £1.7bn after tax this year.

Sohio's action recognises concern about future oil prices, the continued weakness of coal and copper markets, and general uncertainties, Mr Whitehouse says.

Sohio is the latest in a string of US oil majors to take big write-offs to cover costs of restructuring operations. Wall Street analysts said yesterday that Sohio's fourth-quarter charge and the associated moves to boost cash flow and profitability were long overdue.

Some of Sohio's rivals took similar action some months ago for fear of attracting the attentions of a corporate raider, said one analyst, who noted that there had been less pressure on Sohio because it was effectively protected from the pressures of the marketplace by BP's majority ownership.

Aside from the write-off, Sohio also announced yesterday plans to spend $400m on restoring the profitability of its money-losing copper operations, an estimated 20 per cent cut in annual capital spending, a cutback in oil exploration, and increased emphasis on oil production and development.

The company estimates that the measures will boost its cash flow by more than $500m in 1985 and 1986 and that the resultant cost reductions should contribute approximately $175m "to 1986 after tax earnings."

In the first nine months of 1985 Sohio earned $1.08bn. In 1981, Sohio's peak year, the group earned $1.95bn.

A large part of yesterday's write-off is associated with Sohio's ill-fated diversification into copper mining in 1981. Its $1.8bn acquisition of Kennecott, the largest US copper producer, coincided with the peak in metals prices. Since then copper prices have dropped by over 50 per cent, which has led to heavy losses for Kennecott's new owners. Earlier this year Sohio suspended operations at its biggest copper mine, Bingham Canyon in Colorado.

UK church attacked for report on social problems

By Robin Pauley in London

THE FULL political battle over the Church of England's report on the state of Britain's inner cities opened yesterday with government leaders attacking it as being muddle-headed and Labour Party policy.

The report's contribution to the debate was welcomed by the Liberal and Labour parties, the Trades Union Congress and the Confederation of British Industry, the UK employers' organisation, and Lord Scarman, author of a previous report on inner cities.

Dr Robert Runcie, The Archbishop of Canterbury, officially published the report, by the commission he set up two years ago to inquire into urban priority areas. He urged that the report which was leaked at the weekend, should not become a political or ecclesiastical football and he attacked the "smear campaign" against the report before its launch.

"Some of the unattributed sources have really done damage to themselves by the kind of irresponsible generalisations which have been made about a report before it had been read" he said.

This was taken particularly to refer to reports that an unnamed government minister had dismissed the report as Marxist theology. Dr Runcie denied that the document was Marxist.

The report is deeply critical of the Church of England's record on the inner cities and calls for reforms within the church. But its parallel criticism of government policy in every area, especially housing and employment, has touched a particularly sensitive nerve.

Mr Jeffrey Archer, deputy chairman of the Conservative Party, said it would have been wiser not to have chosen "a known supporter of the Labour Party" as chairman (Sir Richard O'Brien, former chairman of the Manpower Services Commission, which administers the Government's employment and training scheme).

Mr Norman Tebbit, party chairman, said Sir Richard was a former Labour member and supporter, "and I don't know if he still is."

Sir Richard replied that he had not been a member of the Labour Party since he moved to London 10 years ago.

Mr Norman Willis, General Secretary of the Trades Union Congress, said he was sorry the report had come under such attack. It was an important but basically moderate report.

Mr David Steel, the Liberal leader, said the report's general thrust and emphasis on housing and employment were much to be welcomed as a serious contribution to the solution of a grave social problem.

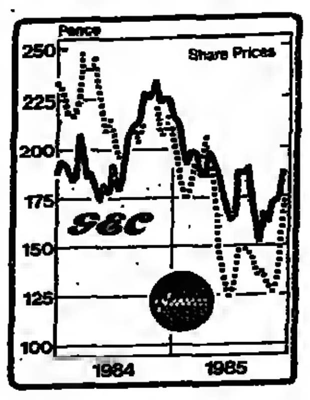
Dr Runcie said the report would not be a comfortable read for those exercising power in both church and state. "It raises questions not only about church priorities but about national, ethical and moral priorities too."

People must recognise the magnitude of the social and economic plight that had overtaken some parts of Britain in the last decade, he said.

News analysis, Page 9

THE LEX COLUMN

Conference call from GEC



The market has been demanding action from GEC for so long now that it was honour bound to greet yesterday's approach to Plessey as a move which added several hundred million pounds to the joint market value of the two groups. In the excitement of the moment, there was little attention paid to the depressing profit figures almost coincidentally sent out from GEC yesterday. But that would have spoilt the fun. Like Plessey a couple of weeks ago GEC was putting out news of significantly lower pre-tax profits for the first half of its year; at £289m, GEC was about 13 per cent down.

The argument for the proposal is clear enough. Faced with expensive duplication of effort in one major activity – telecommunications – and in many other places besides, GEC can see that consolidation ought to improve the returns, not just in manufacturing but in research and development as well. In markets where large investments have led to world over-capacity, it is compellingly attractive to reduce the amount of capital employed and turn it over faster. Moreover, the idea of fighting more effectively against the groups' increasingly cantankerous monopoly customers, British Telecom and the Ministry of Defence, is seductive, provided that the customers and the OFT will wear it. If international scale is truly a motive, it may be that GEC has so changed its policy on competing in the public switching markets that it is even prepared to pump serious amounts of money into Plessey's struggling US subsidiary, Stromberg Carlson.

Ramming the two organisations together, in Lord Weinstock's best style of the 1960s and 1970s, could thus solve a number of the structural problems which have been worrying investors in the UK electronics industry of late. Yet it leaves unanswered the questions about international marketing and competitiveness which might conceivably have found a solution if GEC had been able to secure a deal with one of its foreign counterparts.

At the same time creating a stronger domestic capability in either telecoms or in defence electronics may be to some degree self-defeating: BT appears only too likely to seize an excuse for driving down prices by sending more orders overseas. If this seems a less easy option for the MoD, it can still tighten the screws by going more often to the likes of Racal and Ferranti.

Constructive GEC's proposal may be, but tactful it is not. Had GEC gone to Plessey with a cash offer of 180p, on a morning when the shares were opening at 130p or so, Plessey's directors might have found it hard to avoid recommending acceptance. Coming in 20p lower, and with so little warning, GEC has probably done what is necessary to ensure that a deal cannot be struck at much less than 200p, if at all.

Admittedly, Plessey cannot be adequately valued just on its balance sheet; its technological resources demand a rich layer of goodwill. But market forecasts for its current year profits vary by as much as 40 per cent; it is hard to say what that premium should be. On the market's most pessimistic profit projections, however, the Plessey multiple at GEC's price does not rise much above 12 – remarkably close to GEC's own, on the reasonable assumption that its earnings per share for the year, as for the first half, are static.

Cable and Wireless

Safety first has been the guiding principle of the Cable and Wireless offer, so it was no surprise yesterday to see the sponsors setting the subscription price at a conventional 5 per cent discount. If they take their cue from the secondary market, the underwriters may already be having bad dreams about the underwriting risk. It took the GEC/Plessey proposal to reverse the market's fall yesterday and Cable has been sliding with the best of them over the past few days.

But, unless the market really takes a dive, the institutions should be well protected by the almost embarrassing level of retail interest in new equity. Cable may not quite be Laura Ashley but by the time the television marketing campaign has finished, submarine cables should look almost as exciting as designer wallpaper. So there is a strong possibility that retail demand will be strong enough to trigger the clawback from the institutions.

In those circumstances, it is only right for the issue's sponsors to restrict the firm placing commission to ½ per cent. There is no point in paying investors more for the privilege of taking equity which they would otherwise have to buy at a higher price in the market.

BP/Sohio

Mr T. Boone Pickens may have retired from the corporate stage, but his spirit lives on. Yesterday's decision by Sohio to write off well over a tenth of its net worth falls cleanly in the pattern set by Arco, Amoco and Mobil in anticipation of a threat from the likes of Mr Pickens; and one can only surmise that Sohio would have been forced to act earlier but for the protection afforded by Britannic House.

The London market had been primed to expect some charge to BP's fourth-quarter earnings from a clean-up of its metals and mining operations; but the extraordinary item of £600m announced yesterday was, as they say, rather higher than expected. In wiping over $1.8bn (or $1.15bn after tax) off its mining assets and various oil and gas leases, Sohio has recognised the bankruptcy of its decision to divert Prudhoe Bay cash flow into the Kennecott copper acquisition in 1981; or perhaps the write-off was the price of BP's approval for a last-ditch $400m investment at the copper mines.

As it is, Sohio should see a cash benefit (not least from lower tax payments) of about $500m; and with a drop in the exploration charge next year as part of the corporate retrenchment, this could translate into an earnings boost of about £80m at BP. The only thing missing from a classic Pickens package is any new share-repurchase scheme – which would certainly make sense if BP really is taking a greater hold on Sohio's management.

Westland to discuss joint rescue bid

By James Buxton in Rome

SENIOR executives of three European helicopter companies are to meet Mr Michael Heseltine, the UK Defence Secretary, and officials from Westland on Thursday to discuss a joint proposal for rescuing the troubled British helicopter maker.

The three companies are Aerospatiale of France, Messerschmitt-Bölkow-Blohm of West Germany and Agusta of Italy. Last Friday in London they agreed a protocol of understanding on a proposal to buy and divide up equally between them 29.9 per cent stake in Westland.

The agreement was also signed by Lloyds Merchant Bank for the French and West German companies, and by Credito Italiano for Agusta.

The French and Italian companies, which are state-controlled, then presented the proposal to their respective governments.

It was learnt yesterday that the Italian Government had not yet given approval for Agusta to invest in Westland.

None the less the Italian Government indicated to Agusta before last week's London meeting that it was prepared in principle to give it financial backing to a rescue operation for Westland.

The future of Westland, which faces a serious financial crisis because of a shortage of work until 1990, is crucial to Agusta because they are working jointly on a project for an improved version of Agusta's A129 anti-tank helicopter.

Agusta, whose own financial position is weak, is depending heavily on this Westland project.

Westland job cuts, Page 6

GEC makes surprise £1.16bn merger approach to Plessey

Continued from Page 1

approach to Plessey. He denied that there had been any advance consultation with the Government.

Both the Department of Trade and Industry and the Ministry of Defence declined to comment last night. It was unclear whether the Government would refer a deal to the Monopolies and Mergers Commission if GEC made a formal offer. British Telecom also had no comment.

Lord Weinstock said GEC's proposal was intended primarily to achieve improved efficiency and output of telecommunications equipment, particularly of the System X digital public telephone exchanges which both GEC and Plessey make.

He said the stricter procurement policy adopted by BT, particularly since it was privatised last year, had created a more difficult climate for its suppliers and required them to perform to much higher standards than in the past.

"I certainly concede that the way BT has behaved has made it necessary for us to do better," he said. Lord Weinstock has been a vocal critic of the Government's handling of the privatisation of BT.

Lord Weinstock argued that yesterday's merger proposal was different from GEC's approach last year to British Aerospace, which had been made in response to an attempted takeover by Thorn EMI.

HOW THE COMPANIES COMPARE

	GEC (year to March 31, 1985)	Plessey (year to March 29, 1985)
Turnover	£5.97bn	£1.42bn
Pre-tax profits	£725m	£164m
Employees	165,000	37,500
Main interests	Electronic systems and components; telecommunications and business systems; automation and control; medical equipment; power generation; electrical equipment; consumer products	Electronic systemes and equipment; telecommunications; aerospace and engineering; micro-electronic and components; computer peripherals

SA emergency rule lifted in eight districts

Continued from Page 1

Their presence, they said, was to express the sympathy of their countries and to protest at police conduct. "I am here to express US support for the principle of peaceful protest," said Mr Tim Carney, political counsellor at the US embassy.

Police kept away from the township

● Inkatha, the predominantly Zulu organisation in South Africa, has strongly attacked the newly formed Congress of South African Trade Unions (Cosatu), accusing it of being "a new front for the African National Congress (ANC)."

EMS logjam broken

Continued from Page 1

tion of an open Common Market. They were also still divided on a plan to increase the powers of the European Parliament without eroding the ultimate sovereignty of the member-states.

A very modest package of reforms was expected to emerge, including a treaty on foreign policy co-operation, measures to step up development of new technologies, environmental protection and more support for the poorest EEC member-states, industrial regions and inner city areas.

Major reservations are likely, however, from both Italy and Denmark. The Italian Government is adamant that the whole deal must be acceptable to the European Parliament, while Denmark fears it will be much too radical to be approved by its own national parliament in Copenhagen.

Either of the two could upset finalisation of the whole package, which requires unanimous agreement, and ratification by all national parliaments. It will also need to be submitted to rigorous legal drafting.

Mrs Thatcher's concession on the monetary reform was the first major move made by the British Prime Minister to encourage agreement, given her long-standing opposition to the whole exercise of treaty reform.

Pan-European chip company on target

Continued from Page 1

summer of 1986 from rented plant in Europe.

ES2 also plans to establish design centres in or near London, Paris, Munich, Milan and Stockholm. It will franchise its microchip design technology in order to increase the volume of custom microchip designs available for translation into silicon chips.

All of ES2's senior management appointments have been made. Mr Jean-Luc Grand Clement, formerly of the US semiconductor group Motorola, has been named chief executive officer. Mr Robert Heikes, formerly European managing director for National Semiconductor, and Mr Robb Wilmot, chairman of STC International Computers, are non-executive co-chairman.

Mr Pierre Lesieu, formerly with Motorola European Semiconductor Products, is vice president for finance. Mr David Cooksey, co-founder of the venture capital company Advent Technology, is a non-executive director.

Dr John Gray and Dr Irene Buchanan, co-founders of Lattice Logic, a UK-based company which has pioneered the techniques in which ES2 will specialise, are to leave Lattice to join ES2.

Western aid 'to rise 4%'

WESTERN AID to developing countries is expected to increase by 4 per cent in real terms this year and is likely to continue growing modestly next year, Mr Rutherford Poats, chairman of the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD), said yesterday, Paul Betts writes from Paris.

Mr Poats was speaking at the end of the annual meeting of the committee, which for the past 25 years has sought to encourage a common approach to aid to developing countries. The committee includes 19 Western countries which together are responsible for about 75 per cent of the total flow of official development aid to developing countries.

Despite budgetary restraint in many member countries, Mr Poats said he was encouraged by the continuing growth in development assistance. The 4 per cent increase this year represented about $1bn of growth in aid.

Mr Poats said there was still considerable scope for increasing the quantity and quality of aid. Growth of aid has in some cases lagged behind the growth of the gross national product (GNP) of member countries with the current ratio of development aid to GNP averaging 0.36 per cent last year

World Weather

		°C	°F
Ajaccio	S	17	63
Akrotiri	F	17	63
Algiers	-	—	—
Amsterdam	I	13	55
Athens	S	20	66
Bahrain	S	26	79
Bangkok	S	32	90
Barcelona	C	13	55
Beirut	C	18	64
Belgrade	S	15	59
Berlin	C	13	55
Biarritz	S	24	75
Blackpool	S	11	52
Bordeaux	S	17	63
Brussels	C	13	55
Budapest	S	11	52
B. Aires	S	22	72
Cairo	F	21	70
Cape Town	F	23	73
Caracas	R	25	77
Casablanca	-	—	—
Copenhagen	C	5	41
Corfu	-	—	—
Dublin	S	13	55

		°C	°F
Dubrovnik	S	14	57
Faro	S	18	64
Florence	-	—	—
Frankfurt	S	11	52
Funchal	C	21	70
Geneva	S	11	52
Gibraltar	C	17	63
Guernsey	C	12	54
Helsinki	F	-13	9
H Kong	F	23	73
Innsbruck	S	5	41
Inverness	C	10	50
Istanbul	F	12	54
Jersey	C	11	52
Jo'burg	F	24	75
Las Palmas	S	25	77
Lima	S	22	72
Lisbon	S	17	63
Locarno	S	8	46
London	C	14	57
Los Angeles	C	13	55
Luxembourg	S	12	54
Madrid	S	13	55
Majorca	S	18	64

		°C	°F
Malaga	F	18	64
Malta	-	—	—
Manila	S	30	86
Miami	F	18	64
Milan	-	—	—
Moscow	Sn	-11	12
Munich	S	15	59
Nairobi	-	—	—
Naples	-	—	—
New Delhi	S	22	72
New York	F	-1	30
Nice	S	14	57
Oporto	C	16	61
Oslo	C	-4	25
Paris	C	13	55
Prague	S	12	54
Reykjavik	S	-1	30
Rio de J'o	C	29	84
Rome	F	9	48

		°C	°F
Salzburg	S	12	54
Seoul	F	6	43
Singapore	R	26	79
Stockholm	Sn	-0	32
Strasbourg	S	14	57
Sydney	F	22	72
Taipei	S	23	73
Tangier	-	—	—
Tehran	-	—	—
Tel Aviv	C	17	63
Tenerife	-	—	—
Tokyo	F	14	57
Toronto	F	-8	18
Tunis	-	—	—
Valencia	F	12	54
Venice	-	—	—
Vienna	S	5	41
Warsaw	C	4	39
Zurich	S	10	50

Readings at mid-day yesterday:

C-Cloudy D-Drizzle F-Fair Fg-Fog R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

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FINANCIAL TIMES SURVEY

Northern Ireland

Province where contrasts abound

By Malcolm Rutherford

The Anglo-Irish Agreement signed by Mrs Thatcher and Dr Garret FitzGerald is the latest initiative to reduce the friction between the two communities in Ulster. So far strong reactions locally are typical of the strange contradictions of the social and economic arena of Ulster itself.

NORTHERN IRELAND is again in the forefront of world news. The Anglo-Irish Agreement signed by Mrs Margaret Thatcher, the British Prime Minister, and Dr Garret FitzGerald, her Irish counterpart, at Hillsborough Castle on November 15 will ensure that it stays that way for a while to come. So will the reactions of the Ulster Unionists, who have not exactly cheered it to the rooftops.

It is not the first Anglo-Irish agreement even in recent times. The Sunningdale Agreement in 1973 was potentially still more far-reaching. The former proposed a Council of Ireland, made up of representatives from north and south, which would have executive responsibilities.

There is nothing like that in the Hillsborough accord: only a commitment that the Republic of Ireland should have a consultative role in Ulster's affairs.

Sunningdale foundered for a variety of reasons. There was an early general election in Britain as Mr Edward Heath became engulfed in the miners' strike, a change of government and determined resistance by Ulster workers. Perhaps, also, it was too ambitious.

Since then there have been initiatives by successive British administrations aimed at the rather more modest target of first securing some reconciliation between the two communities in the north before going on to the Irish dimension. None of them came to much.

For example, the mainly Catholic Social and Democratic Labour Party refused to take up its seats in the Northern Ireland Assembly, established when the Secretary of State was Mr James Prior, though it did participate in the elections.

Hillsborough is something in between Sunningdale and the more limited efforts of the last decade or so. It entrenches Anglo-Irish co-operation, but firmly acknowledges that Irish unification could come about only with the consent of the majority of the people in the north. It is based on the premise that if there can be reconciliation between the communities in Ulster, it should be possible to lessen the suspicions between north and south.

The international reaction so far has been favourable: from the US and from Europe. So has the reaction from the Republic where an opinion poll taken for the Irish Times a few days after the agreement was signed showed that 59 per cent were in favour. There has also been strong cross-party support in Britain.

Only the Ulster Unionists have expressed strong opposition to the extent of calling the agreement a "sell-out," holding a massive—but peaceful—rally in Belfast on November 23, and resigning their seats in the House of Commons to fight by-elections in protest.

It remains to be seen, however, how far the opposition will go. Certainly there are reasons for thinking that the Northern Ireland which successfully defied the Sunningdale Agreement by industrial action in 1974 is different from the Northern Ireland of today. Some of the external factors are different as well.

The violence in Ulster has now been going on for over 15 years. It is not confined to the Province. Mrs Thatcher was very nearly killed by it at the Conservative Party Conference in Brighton in 1984.

The Provisional IRA is even more of a threat to constitutional government in Dublin than it is to Britain. People who oppose an Anglo-Irish agreement that might help to reduce the violence by removing some of its causes are unlikely to get much sympathy.

The violence has been contained in recent years, though nothing like beaten and it remains unpredictable. The number of deaths from terrorism in Northern Ireland reached a peak of 467 in 1972. In each of the last four years it has been down to double figures: the figure for 1985 was 49 as of November 22.

Two facts are worth noting. The role of the British army in Ulster has been much diminished while that of the police has been much increased. That is part of a deliberate policy to provide a kind of security more acceptable to the ordinary people of both communities.

The police have recently won some applause from Catholics for their bipartisanship and readiness to stand up to Protestants.

The other fact about security is that hardly anyone claims any more that the Republic is not pulling its weight. There is now a great deal of cross border security co-operation and there is likely to be more.

Mrs Thatcher is probably a factor in her own right. She did not have to seek agreement in an area where so many others have failed before her. Yet, having done it, there is a widespread belief that she will do her utmost to make it stick.

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Progress on most fronts

Economy/Industry

HUGH CARNEGY

THE CITY centre of Belfast in many ways offers a *good guide* to the state of Northern Ireland's economy.

At first sight, one notices well-stocked stores busy with shoppers, plenty of smart restaurants and fast-food outlets, late-model cars on the streets and thriving theatrea and cinemas.

A second look, prompted perhaps by the sight of a slate-grey armoured police land rover prowling by, is less reassuring. A block of offices swathed in scaffolding while bomb damage is repaired. A few streets away stands a derelict terrace of houses, their windows bricked up. In the distance loom the vast gantry cranes of the Harland and Wolff shipyard.

These impressions are the outward signs of the economic story that the statistics tell; that consumer spending is buoyant, a lot of small businesses are thriving and many people are doing very nicely, *thank you*.

Behind this, the province still suffers from the violence it has endured for 16 years and from the recession in its traditional industries which together have necessitated huge public subsidies to keep the place afloat.

That is not to say that the outlook is all gloom, for there are many examples of genuine progress that have some businessmen in the province talking about a new spirit of enterprise inspiring the place. A heartening feature of this is the progress made in Northern Ireland's traditional industries after the grim recession years of the early 1980s.

In the engineering sector, the most recent PA Business Survey reported a 17 per cent increase in output in the year to the end of September 1985 over the previous same period and predicted that employment in the sector would hold steady over the next year.

Harland and Wolff has shed more than 1,000 jobs over the last two years and now enjoys a £200m order book. Company losses have fallen to £36m in 1984-85 from £46.5m in 1982-83 and Goverment subsidies have also fallen to 0.9 per cent of the Northern Ireland budget from 1.3 per cent.

Under a dynamic chairman, Mr John Parker, H and W has modernised what is Britain's last remaining integrated shipyard and has won orders for four refrigerated cargo ships for Blue Star, two 173,000 tonne bulk carriers for British Steel and a sophisticated SWOPS (single well oil production system) ship from BP.

Just across Belfast's dockland, the city's other famous state-owned company, the aircraft and missile manufacturer Short Brothers, which employs 6,600 people, announced a profit of £523,000 in November for the year to March 31 1985, a turnaround from £2.4m losses in 1983-84 and its first profit since 1974. Its order book also looks healthy.

The textile industry has also got to grips with post-recession conditions.

Fashion trends and new techniques have revived the linen industry and the second season of revived commercial flax growing has been completed. The PA survey shows textiles output up 2 per cent with a 27 per cent increase in *planned* investment over the next 12 months, despite a recent slight drop in orders.

Optimism in the textiles sector was also boosted by the announcement in November by Du Pont, the US chemicals-to-fibres concern, that it is to build a £45m plant next to its existing facility at Maydown, outside Londonderry, to produce Kevlar, a non-woven fibre used in the marine, aerospace and car industries.

When the new plant comes into operation in two years time, it will employ 300 people in addition to the 1,350 already working at Du Pont's existing plant making Lycra.

Clothing sector

In the clothing and footwear sector, where garment making is doing well, output is up 11 per cent and orders have risen by 15 per cent.

Northern Ireland's third major industrial sector, based on its agriculture, is food and drink. Here the Industrial Development Board (IDB) sees great potential for growth.

The emphasis is on developing more value added activity by encouraging food processing for direct selling to retailers where previously produce was mainly shipped unprocessed. So companies such as Moy Park outside Dungannon, which produces more than 500,000 chickens per week, and Master Meat Packers of Omagh have had considerable success, both recently expanding their workforces. Investment in the sector is predicted to grow by more than 30 per cent over the coming year.

Many of the success stories in Northern Ireland arise among the crop of small businesses fostered by the Local Enterprise Development Unit (*LEDU*). The province boasts a lower business failure rate than most of the rest of the United Kingdom.

Northern Ireland's industrial relations record is good, with political problems rarely penetrating to the shop floor thanks to close management-trade union relationships. So proud is the province's Labour Relations Agency of its record that a report by the Industrial Society earlier this year which said Northern Ireland had the highest absenteeism in Britain was angrily rejected by the agency as inaccurate.

For all the encouraging signs in industry, the most startling indicators arise in the consumer field. The latest Crosshaven Financial Intelligence quarterly review will show that consumer spending was growing at 2.2 per cent this year, with further projected growth of 2.5 per cent in 1986.

Bank personal lending surged by 16 per cent in the first nine months of 1985, hire purchase arrangements also grew and new car registrations were 11 per cent up on the same period in 1984, approaching record levels.

A significant proportion of this consumer affluence—which is boosted by shoppers from the Republic—can be attributed to the size of the public sector, which employs 208,000 of the 465,000 people in work in the province.

The other side of the coin is that output growth potential *is limited* because of the small size of the manufacturing sector, which employs around 100,000 compared with 150,000 seven years ago. Manufacturing output, according to the PA survey, grew 7 per cent in the year to the end of September, the same as in the same period the previous year. But it still lagged behind 1980 levels.

To expand the manufacturing base, Northern Ireland will need at least to increase inward investment and the range of new indigenous business.

On the latter, the Confederation of British Industry (CBI) says the problem is not to find the money to fund projects, but to find viable projects.

The inescapable conclusion is that Northern Ireland still depends on the substantial annual subvention from Whitehall. The burden is made heavier by the province's high unemployment.

The Crosshaven review puts the seasonally adjusted figure at 122,000, more than 20 per cent of the workforce, and predicts a rise of about 2,000 by this time next year. It also predicts the numbers in employment will rise by only 2,000 in the same period.

Even the longest term outlook on jobs is grim as employment growth is not expected to outstrip the growth in working population up to the end of the century.

Industrialists say that economic success must no longer be measured in terms of jobs created, the criterion by which LEDU and the IDB tend to be judged.

The point is taken up by Sir Desmond Lorimer, the IDB chairman, when he says that the Government development agencies cannot go on indefinitely as they now function. Radical alternatives to solving unemployment must be found, he says. In Northern Ireland, that is complicated by the political situation.

"As long as there is a lack of proper political stability there will be a restraint on development in the economy," said Sir Desmond.

The Anglo-Irish agreement is intended to be a step in that direction. It is too early to say what *its* economic effects might be, but it has brought the likelihood of at least several hundred million dollars in aid for all Ireland from public and private sources in the US, which would be a welcome boost whether it is spent on infrastructure or industry, or a combination of both.

Public Expenditure in Northern Ireland 1984-85 to 1987-88

	1984-85 out-turn £m	1985-86 planned £m	% of 1985-86 total	% change in 1985-86 over 1984-85
PROGRAMME:				
Agriculture, fisheries, food, forestry	88	83	2.0	− 5.7
Industry, energy, trade, employment	332	333	7.8	+ 0.3
Transport	95	99	2.3	+ 4.2
Housing	149	168	3.9	+12.8
Other environmental services	159	164	3.9	+ 3.1
Law, order and protective services	422	444	10.4	+ 5.2
Education, science, arts, libraries	589	616	14.5	+ 4.6
Health and personal social services	666	699	16.4	+ 5.0
Social security	1,204	1,274	29.9	+ 5.8
Other public services	23	22	0.5	− 4.3
Common services	36	43	1.0	+19.4
PUBLIC CORPORATIONS FINANCE:				
NI Housing Executive	198	191	4.5	− 3.5
NI Electricity Service	77	95	2.2	+23.4
NI Transport Holding Company	21	23	0.5	+ 9.5
Total	4,059	4,254	100.0	+ 4.8

Source: Northern Ireland Office.

Growth of public expenditure

IN REAL TERMS (1983-84 prices)

	Northern Ireland %	UK %
1980-81	− 2.4	+ 1.5
1981-82	+ 1.1	+ 2.7
1982-83	+ 2.2	+ 1.6
1983-84	+ 2.8	+ 1.6
1984-85	+ 3.5	+ 1.7
1985-86 planned	+ 0.3	− 1.3

Source: Government Expenditure Plans 1985-86 to 1987-88, published January 1985.

Unemployed by Age and Duration April 1985

MEN — Time out of work / Age group:	16-17	18-19	20-24	25-34	35-49	50+	Total	% of total
Less than 4 weeks	344	546	1,152	1,160	843	482	4,527	5
4-13 weeks	674	1,236	2,396	2,435	1,753	809	9,303	10
13-26 weeks	441	1,302	2,693	2,754	2,156	1,025	10,371	11
26-52 weeks	1,036	2,248	3,659	3,375	2,573	1,426	14,319	16
52-104 weeks	243	1,983	6,076	4,300	3,829	1,701	18,132	20
Over 2 years	0	1,086	5,972	10,018	11,362	5,960	34,398	38
TOTAL	2,740	8,401	21,948	24,042	22,516	11,403	91,050	100

WOMEN — Time out of work / Age group:	16-17	18-19	20-24	25-34	35-49	50+	Total	% of total
Less than 4 weeks	227	418	874	1,030	655	207	3,411	10
4-13 weeks	381	829	1,469	1,603	949	285	5,516	17
13-26 weeks	230	771	1,435	1,500	806	344	5,086	15
26-52 weeks	507	1,546	2,070	2,007	1,153	517	7,800	23
52-104 weeks	101	986	1,578	1,176	913	570	5,324	16
Over 2 years	0	461	1,819	1,266	1,235	1,421	6,202	19
TOTAL	1,446	5,011	9,245	8,582	5,711	3,344	33,339	100

Source: Coopers and Lybrand.

Province of contrasts

CONTINUED FROM PAGE ONE

That is accepted—not without apprehension—even by some Unionists.

It is also true that people had become accustomed to nothing very much being done about Ulster at the highest level. When the British and Irish Prime Ministers get together, backed by their top civil servants and with the clear support of the outside world, it is time to *take notice*.

Some of the extreme Unionists may be manoeuvring themselves into a corner. There is not much point in their proclaiming their Britishness if the *British* have decided that it is the Unionists who are at fault.

In the background, however, something more intangible is happening—more to do with the strange nature of Northern Ireland's economic and social development. It is possible to depict a horror story and a success story at the same time. Both would be true. For Ulster today is full of apparent contradictions.

On the one hand, there are the unemployment figures of over 20 per cent, rising to around 50 per cent in Strabane, the strange failings of companies like De Lorean and Lear Fan, the bombed-out buildings as a reminder that while most people may have *little* exposure to violence, it is still there.

On the other hand, that is not the whole or even the majority of Ulster. The shoppers who come up from the Republic in increasing numbers at weekends are evidence of that. They say that the shops in the north are better and cheaper than in the south, and even that the sales assistants are nicer than in Dublin. Some of them are visiting Northern Ireland for the first time.

Much of Belfast when you walk round it has the air of being rather more affluent than the strategists suggest it ought to be. It is not just the shops, the theatres, the restaurants and the leisure centres. Many old buildings have been restored, and well restored at that.

The infrastructure is good. *The roads around Belfast* are excellent and not overcrowded. The new housing developments, of which there are many, are neat and attractive: far better than some of those in mainland Britain.

The main reason is the level of public expenditure over the years. Mr Roy Mason really got it under way when he was Secretary of State in the late 1970s. The policy is now showing its effects. Northern Ireland today has nearly everything it needs for a country of its size: except jobs and security.

Ulster's standard of living is as high as it is partly because of British subsidies.

It is estimated that Britain made a total subsidy in 1983-84 of around £1.4bn, thus financing over one third of total government expenditure in the province. The economic report of the New Ireland Forum claims that the subsidy raised disposable income by 25 to 30 per cent. *Nobody is suggesting* that it should be cut, though Mr Prior when he was *Secretary of State did* draw attention to the dangers of an economy becoming too heavily dependent on *public expenditure*.

The political point that must be clear to Ulster Unionists—and if it is not clear, it could be made clear—is that when they talk in their extreme moments about going it alone, Ulster has a great deal to lose.

The corollary, of course, is also true. If there can be peace and a political settlement, much of the prosperity is already there on which to build. Northern Ireland could be a well-balanced and flourishing economy. It has the skills. It needs only a rest from violence and intransigent politics.

Early days yet for testing effect of pact

Politics

MALCOLM RUTHERFORD

POLITICS IN Northern Ireland are fundamentally sectarian. No political attempt to end the essentially religious divido between Catholic and Protestant parties has yet been greatly successful, though thera have been occasional flickers.

Thore is an Alliance Party (nothing to do with the SDP-Liberal Alliance in Britain) which crosses the sects and which once looked like a promising development. Yet it has never won more than 14 per cent of the Ulster vote.

Tbe description is no less stark if you drop the religious connotations and talk simply about unionists and nationalists. Tho Protestants tend to be unionists, the Catholics tend to be nationalists and tho unionists bave a majority of e good threo to one. Tbere is not very mnch in between and tho ice is not yet cracking.

British policy over the last 15 years or so has been aimed at trying to end, or at least to lessen, this sectarian division as it comes out in politics. That applies wbether the British Govarnment bas been taking the ambitious approach—incinding tha Irisb dimension—sucb as in the Hillsborough and Sunningdale egreements, or the more modest approach of seeking to establish normal party politics in the north.

All sorts of methods havo been tried or suggested: for example; a cross party committee system allowing the minority community a say in tha affairs of an Assembly dominated by the majority community. None of them has really worked.

The present Northern Ireland Assembly, established in 1982 when Mr James Prior was Secretary of State in order to agree on a programme of rolling devolution of powers back to the province, requires a 70 per cent majority for a major resolution to be passed.

The mainly Catholic Social and Democratic Labour Party (SDLP), however, declined to take up its seets, even thougb it won 18.8 per cent of the votes in the Assembly election and might well have had a blocking minority along with some of the minority parties. The Assembly bas been rednced to a talking shop between unionists and the Alliance becausa of the refusal of the nationalist parties to participate.

An important part of tha Hillsborough agreement, from tho Britisb and Irish point of view, is that the SDLP is now ready to taka up its place in the Assembly, or some variant of it, because the agreement accepts the Irisb dimension to the problems of Ulster.

Mr John Hume, the SDLP leader, bas said that qnite firmly in the House of Commons and has also stood up to Mr Charles Haughey, the leader of the Fianna Fail opposition in the Irish Parliament, wbose first instinct was to oppose the agreement outright as being insufficiently nationalist: indeed as e sell-out to tha British.

Walked out

Yet just as the SDLP was prepared to join in a dialogue with tho unionists in the Assembly, the unionist parties have walked out. They have walked out of Westminster, too, forcing by-elections in protest at the Anglo-Irish agreement. Snch is the nature of Northern Ireland politics: when ono side wants to talk, the other does not or at least not for long.

Ulster now elects 17 MPs to the House of Commons out of a total Commons membership of 650. Of those, 15 are unionists of one kind or another, including Mr Enoch Powell, the former Tory who now sits for Down South. The two others are Mr John Hume of the SDLP and Mr Gerry Adams of the Provisional Sinn Fein, the political wing of the IRA. Mr Adams has never taken his seat. (One interesting thought is how tho Ulster Members would behave if there were ever to bo a hung Parliament.)

The Unionist MPs have not gone down well in the present House of Commons. They have appeared to rant, not realising—or perhaps because they did realise—that Northern Ireland is nowadaya bardly a primary interest of the great majority of British Members.

They did not seem to notice that Britisb sympathy was slipping away from unionism towards concern about the minority, an acceptance of Dublin's interest in the matter, a respect for Dr Garret FitzGerald, the Irish Prime Minister, and a general desire to end the violenco and sectarianism.

Until recently tho principal culprit was seen as Mr Ian Paisley, the leader of the Democratic Unionist Party (DUP). Mr James Molyneaux, the leader of tho Official Unionists, was regarded more respectfully as an essentially moderate man who would behave in a conciliatory way if he were not influenced by Mr Powell (also an Official Unionist) and the split in the unionist parties.

All that bas now changed. Since the Hillsborough agreement, the unionist parties have come together again. Mr Molyneaux stood alongside Mr Paisley at the unionist rally in Belfast on November 23 where, in front of nearly 100,000 people, all unionist MPs except Mr Powell, who was not present, pledged themselves to resign their seats and fight by-elections.

The only way that they can be sure of regaining them is for the DUP and tho Official Unionists to agree not to fight oach other, for othorwise third or fourth parties might intervene and affect the result. Unionist solidarity will probably survive that hurdle.

The differences between the Official Unionists and the DUP have never been all that great, and bave more to do with personalities and ambitions rather than political beliefs. Mr Paisley said when he set up the DUP in 1971 that the aim was to be on the right on constitutional issues and on the left on social issues: in other words, it was an appeal to the Protestant working class.

Fear of backlash

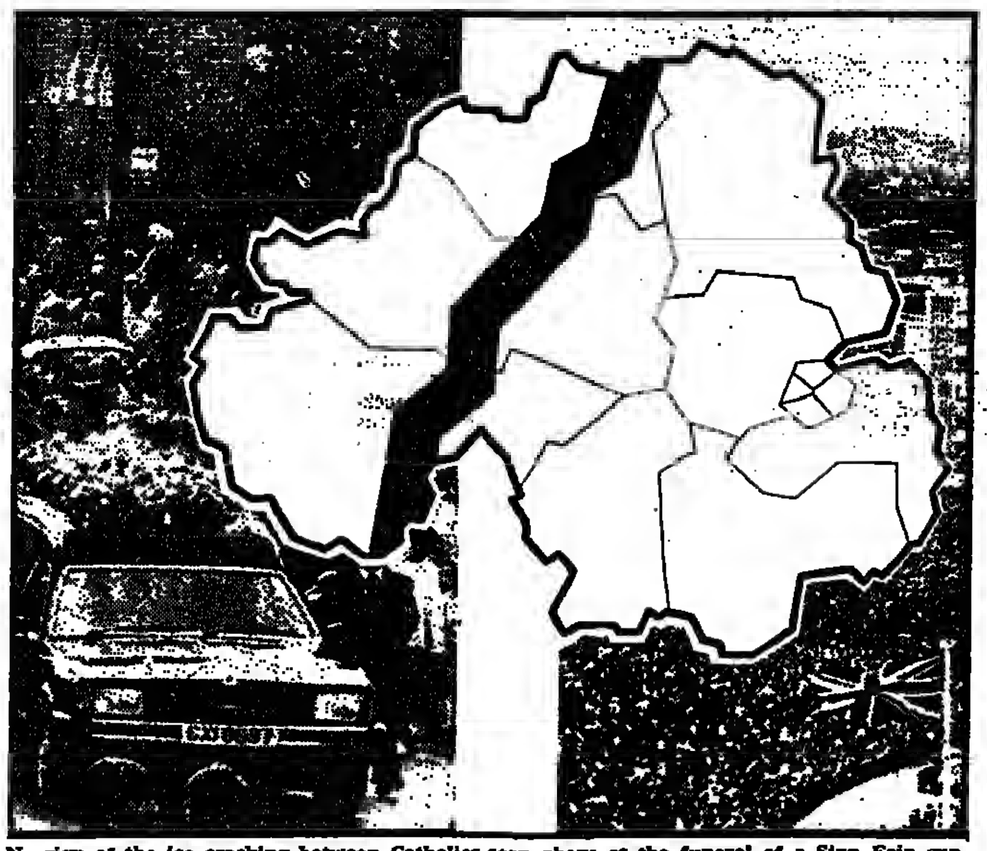
Probably the most significant long-term effect of what he did was to make it more difficult for tho Official Unionists to look for a compromise with the minority community and with the Britisb Government. Tbe Official Unionists have a residual fear of a Paisley backlash.

Almost immediately after the Sunningdale agreement, the unionist parties reunited, at least tactically. They formed the United Ulster Unionist Council which succeeded througb industrial action in killing the agreement. But there was no accord on where to go on from there. The unionists can destroy an agreement, but they bave not yet made one.

Tbere has been a similar, if so far more restreined, reaction after Hillsborough. Industrial action is not threatened, only passive resistanca and the by-elections. Some unionist leaders say that they will come up with their own ideas in the meantime. That remains to be seen. One of the major problems of the unionists is tbat they lack an accepted leader, capable of taking them out of the dead end.

The nationalist movement is not a monolith either. Mr Hume has staked his reputation on the success of the Hillsborough agreement. If it does not lead to a dialogue between unionists and nationalists, he will probably be in trouble with his own party. The SDLP is also under some threat from the Provisional Sinn Fein in the competition for nationalist support.

These are early days and everyone is still assessing the Anglo-Irisb agreement. Yet the realignment in Northern Ireland politics remains elusive. Britain's fall-back position is direct rule.



No sign of tho ice cracking between Catholics, seen above at the funeral of a Sinn Fein supporter, and Protestants, seen at the mass rally in Belfast protesting against the Anglo-Irish accord

Ready for the fray

Banking

PATRICK DONOVAN

EVEN IN the space of 12 months, a noticeable change bas come over the Northern Ireland banks. A year ago, the consequences of financial deregulation and the end of the banks' own cartel were recognised, but spelt out only in vague terms.

Now the banks are ready for the fray, or so they believe. New prodncts are available, or on the way, markets are being targeted, "delivery systems" are the watchword.

Tha process may bave been speeded up by the threatened strike by bank staff which was narrowly averted earlier in the year. It would beve been the first bank strike in Northern Ireland for 19 years, and there was considerable alarm among the banks and their customors.

The building societies made tho most of their opportunity and many people hecame aware, for tha first time, of the aervices tho societies could offer. The effects of that may be long-lasting, but any lingering complacency among tho province's benkers about the new, tougher era will have been rudely dispelled.

"Tbe next three or four years will stand the business on its bead," says Northern Bank, the largest of the big five retail banks, and itself a subsidiary of Midland Bank. The dispute itself sbowed that some attitudes bavo still to chango.

The pay element in the dispute was settled but the attempt to get the Irish Bank Officials' Association (IBOA) to agree to extended opening at lunchtime and weekends has yet to be resolved. According to reports, the best that has been agreed is lunchtime opening in selected branches for a test period of six months.

There are other restrictions which the Irish banks have yet to overcome and wbicb do not apply to their competitors, or to banks in Britain. The IBOA will not agree, for example, to the banks selling insurance-linked products, an area which is seen as a key factor by the marketing departments.

The same restrictions do not apply to the TSB, because of its different history, and it continued to enjoy its freedoms as it developed into a full-scale competitor of the four traditional clearers, Northern, Ulster (a NatWest subsidiary), Allied Irish and Bank of Ireland.

Ironically, extended opening may not be as important now as it would have been in the past. TSB has noticed e fall in business at lunchtime as more people use automatic cash dispensers. Northern Ireland's relatively young population is given as one reason wby adeptation to the new technology has reached the UK average in just three years.

TSB is likely to benefit more from its other freedoms. It now employs 13 of its representatives to go out end sell services to likely customers. They offer financial advice and packages to people with retirement income or redundancy payments.

The TSB is well-establisbed in Northern Ireland, with 57 branches and over 100,000 cheque accounts in a population of 1.5m. It bas hired expertise from other institutions to develop corporate lending and bas moved heavily into the home loans market, with £50m outstanding in mortgages.

Flotation would bave made littlo difference in such circumstances, but bank officers fear the flotation delay may cause loss of momentum in the publicity surrounding flotation. Outsiders think TSB's main problem will be to develop sufficiently deep-rooted expertise on the corporate side, and to win business from the other banks in a largely static market.

The limited growth in the market means the competition is mainly in markoting and servies. All the banks concentrate on the youth market—which is a growth area.

Teenagers are wooed with discount cards, record tokens and disco tickets, there are special packages for school leavers and all the banks prowl the corridors of the students' unions. Northern even supports tha running of in-house "banks" in local schools.

Tho banks vary in their approach to the home loans market, although all are expanding their business in this area. Some confine themselves to their customer base, while others vigorously pursue business. Demand is firm, with the latest survey showing prices rising by up to 15 per cent in the past year.

General conditions in Northern Ireland remain favourable. Consumer spending is still buoyant, even if not growing at the rates of recent years. This is reflected in the hoom in Belfast city-centre property and the investment programmes by major multiples in their Belfast stores.

Demand for personal credit and hire purchase is still rising but some bankers claim to have detected a flattening of tbo growth curve and believe they may be near tbo ceiling on consumer demand.

Local industry is showing some increases in output and profitability, especially in traditional textiles. Banks report an increase in capital spending, although this is partly hecause investment plans were brought forward before tho Government reduced the levels of capital grants.

Much of the investment may be "defensive," to enablo businesses to keep abreast of foreign competition, rather than for expansion which might bring down the 21 per cent unemployment rate.

Bankers in the small local merchant bank aector have noticed that firms, liko their counterparts elsewhere, are more conscious of money management and more reluctant to turn to hank borrowings for fioance. Even tbe modest increase in industrial performance will not mean commensurate growth for the corporate lending departments.

All the banks emphasise the importance of the small business sector as one of the few sources of demand for finance and as the best long-term hope for the local economy in tbo absence of substantial foreign investment.

The banks have specialised departments to cater for the small business and promotional efforts. They include Ulster Bank's small business package and quarterly digest and Northern's planned seminars on exporting for small firms.

The recession and continuing unemployment had created a new spirit of enterprise, especially among tbe young, bankers believe. This is reflected in the numbers of new business start-ups. Statistics suggest the failure level may not be as high as some feared, and any further reduction in the casualties could enable small firms to make a growing impact on the Ulster economy. The banks are keen to play their role in this process.

Packages tailored to help companies

Industrial Aid
IAN HAMILTON FAZEY

DESPITE GENEROUS packages of aid available to industry in Northern Ireland, Mr Perry McDonnell, executive director of the Industrial Development Board, says that financial assistance is not the prime factor in attracting newcomers or, as is happening increasingly, encouraging those already there to expand.

"What companies want is to know that they can come and be successful by standing on their own two feet," he says. "The priority over and over again is to get the basics right, to make sure the market is there, that people can produce, that the technological infrastructure is right, that they can ship things in and out easily. These are the things that come first."

Mr McDonnell believes that aid is used rather more subtly than if it were a straight inducement, for that might merely attract inefficient or risky companies looking for subsidies and featherbedding.

Instead, aid packages are tailored to help companies move rapidly into profitable trading. It is start-up costs which they try to reduce, so that companies will not have to call on much cash from parents overseas.

"Financial assistance is designed to help companies get off the ground quickly without impact on the parent's finances. Once they start, it's them against the rest of the world. There is no way we are in business to help projects that are not going to be viable," he says.

The same goes for the other major IDB role — that of saving jobs. Mr McDonnell says there is no point in pouring in money to prop up businesses that cannot survive against fair competition. "What we will do, however, is to help people find new markets or restructure their finances and technology. That's very different," he adds.

The lessons of the De Lorean fiasco and the over-risky technological leapfrog involved in the Lear Fan project seem to have gone home hard at the IDB. There is an obvious and deep realisation that the quality of jobs created is probably more important than their numbers.

Jobs that are going to last are those in good markets where the processes involved use high technology and demand high productivity to maximise added value. Sectors where the IDB is pushing hard are food processing, medical technology, information and manufacturing technology.

Automation and computer-aided design and manufacture are priority targets thought capable of building upon, not least because of the supporting academic infrastructure in both Queen's University and the University of Ulster.

The other important factors, Mr McDonnell believes, are labour-related. He says that the workforce is adaptable and willing to learn new skills. Moreover, unit labour costs are lower than in France, Britain, Japan, Belgium, Sweden Holland West Germany Switzerland, Canada and the US, according to UN, German and American sources which the IDB uses to great effect.

In sales and marketing parlance, such are the benefits that the IDB claims for Northern Ireland. The inducements in the aid package are the selling points, the things that are used to try and clinch the sale. Here, the IDB has formidable powers and resources.

In the capital costs area it can vary standard building grants of 30 per cent by contributing another fifth on top, making 50 per cent in all. The same figure and discretionary powers apply to machinery and equipment. The IDB can also pay the rent of a factory in full for up to five years and re-rate buildings so that rates—property taxes—do not have to be paid either.

In the revenue account there are grants towards start-up costs which are related to the numbers of jobs created. The idea is to provide inflow of funds during the build-up period when income is rarely earned. It means that companies do not have to build up slowly but can attack their markets with considerable impact.

Other grants can be used to reduce interest payments, or train workers, or attract top quality management, or relocate key workers. Research and development costs can be subsidised by up to 50 per cent, though with a ceiling of £241,000.

Market research also comes in for generous help—half the travel costs of an in-house researcher plus £144 a week towards overheads, as well as half the cost of buying published results, conducting special studies or engaging outside consultants.

In addition, four-fifths of the corporation tax on profits generated by new projects may be given back in grant form for up to 20 years. On finance, loans for working capital and venture capital for equity participation are available, according to the circumstances.

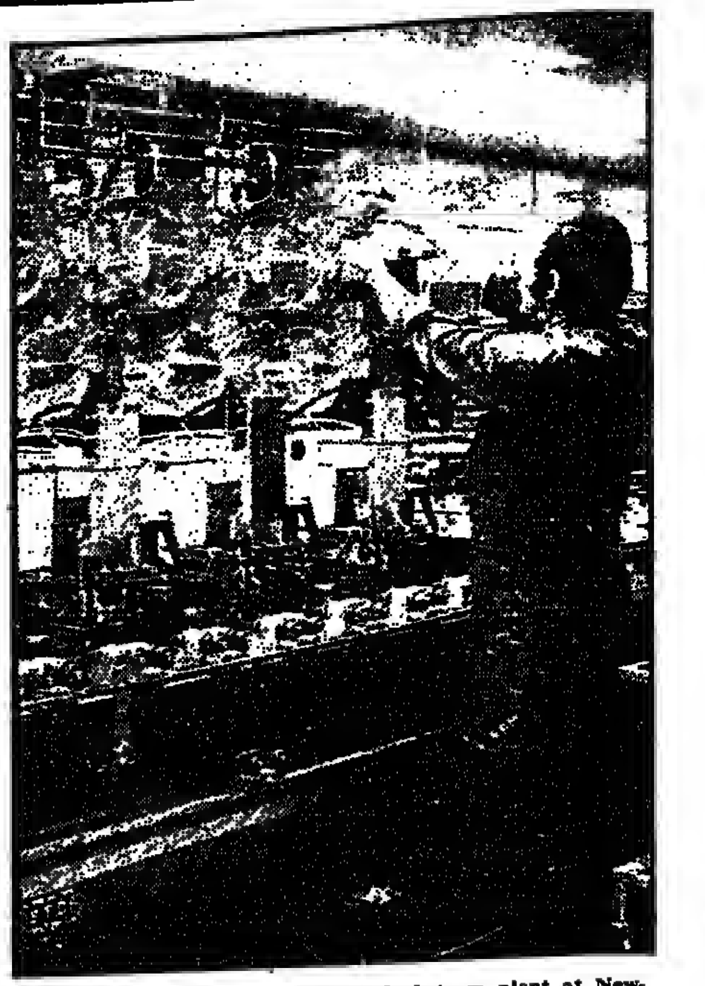
In most respects, Northern Ireland scores heavily when compared with development areas receiving the highest levels of assistance in Britain—an interesting situation when compared with, say, Merseyside, which has a similar population (1.5m) and a similar unemployment rate (21 per cent, though more unemployed (about 144,000 against Northern Ireland's 121,000).

"Our aim is to change the view of the first-time visitor," Mr McDonnell says, which is what the IDB did most spectacularly this year in whisking AVX, the US maker of ceramic capacitors, from under the noses of industrial developers in the republic when the inward investor was on the point of signing.

Most of the board had to visit the province to be convinced, but they eventually approved a project that will create almost 1,000 jobs. Meanwhile, many of the companies that have moved in have expanded, included Hughes Tools, Du Pont, General Motors and Ford. Ford's workers are consistently near the top of the company's European productivity league table.

The IDB spends about £134m a year and usually expects one-third of total costs to come from the company involved, and one-third from private sector finance before making up the rest with a tailor-made aid package to suit the company's special needs. In practice, it usually puts up nearer 40 per cent.

The key, Mr McDonnell says, is the discretion to be totally flexible. It seems to be working, with inward investors doubling from five to 10 in the last year, 5,267 new jobs created in 1984-85 and 5,750 predicted for 1985-86. In addition, aid to existing industry last year helped "renew and maintain" about 15,000 jobs.



Standard Telephone and Cable's Monkstown plant at Newtownabbey is one of Belfast's well-established industries.

Higher level of industrial grants

NORTHERN IRELAND has, for years, enjoyed a much higher level of grants than any other part of the UK. The differential may not be as great now as it was three years ago but there are still important financial advantages to be gained from operating in the six counties.

The following are some of the main differences:

- **Standard grants for buildings and machinery:** 20 per cent available in Northern Ireland compared with 15 per cent in British development areas.
- **Selective grants for buildings or machinery:** Up to 50 per cent as an alternative to standard grants whereas additional assistance in the British regions is discretionary.
- **Interest relief grants:** These may be available to reduce the interest on loans from non-governmental sources; they are not available elsewhere.
- **Training grants:** For employees under 18, £35 a week and for those over 18, £52 a week compared with 40 per cent of basic wages and training costs in Britain.
- **Management incentive grants:** Available to attract top quality management; not available elsewhere.
- **Rents:** Grants of up to 100 per cent of rental costs for up to five years are available; elsewhere, new projects in some assisted areas may qualify for an initial rent-free period.
- **Industrial de-rating:** 100 per cent; not available in England and Wales but 50 per cent in Scotland, though enterprise zones are an exception.

In addition to these main differences there are also research and development grants of 40 per cent to 50 per cent, with a limit of £250,000, compared with up to 33⅓ per cent up to £25,000 elsewhere.

Anthony Moreton

Making research pay

Industrial Research
IAN HAMILTON FAZEY

DR MARIE PATTON is one of the most unusual university industrial liaison officers in the UK. It is not only that she is a woman in what is nearly everywhere else a man's job but that her budget from the newly reorganised University of Ulster is zero.

This forces her little unit to adopt an entrepreneurial attitude. It has geared itself to its market place, acting as a consultancy broker for industrial and commercial problems. It charges realistic fees, turns over more than £120,000 a year, and makes a profit.

Since it is supposed to be non-profit-making the surplus has gone into expanding the unit to cope with more work. Customers do not even have to be sought. "We have now done work for every major company in Northern Ireland. Once they discover what we can do they keep coming back for more. We seem to be working flat out and harder all the time," she says.

Newest university

Although its constituent colleges were well established, the University of Ulster is really the UK's newest. It was reformed this year by merging Ulster Polytechnic with the existing University of Ulster (both were founded in 1968). It has campuses at Jordanstown, Coleraine, Londonderry (at McGee University College, formerly a branch of the Irish Republic's University of Ireland) and Belfast (at the former College of Art and Design).

In Northern Ireland it shares a higher education role long dominated by the Queen's University of Belfast (founded 1845). Queen's has a novel approach to industrial liaison too, of which more later.

Dr Patton, a biologist who became a computing expert, says: "Many people see us as more approachable, more down-market. Partly it arises from a long tradition of having large numbers of part-time students from industry."

The links that arise from this tend to be with middle rather than senior managers, and many of the problems are day-to-day firefighting. There was the company that became alarmed at the sudden appearance of white foam around its effluent pipes—it turned out to be harmless. Worrying brown deposits on a tourist beach proved to be parts of sponges that had been broken up in a storm.

One company needed urgent translation of a telex from customs officers on a foreign frontier in order to free a delayed export order. Little jobs like this, however, are not always charged for: Dr Patton thinks the goodwill earned brings bigger business.

A lot of this has been concerned with computer consultancy for small or medium sized companies. In one case a company achieved payback on an expensive installation in only three months. It was back almost immediately for more help.

Computer-aided design and manufacture is another important area, with the university having developed its own electronic network to link engineering, electronics and design departments.

Dr Patton says: "Because we have to fend for ourselves we have a lot in common with industry. We are not here to find research projects for academics. We go to them with problems from industry for them to solve."

An academic's time is costed at a comparable rate to the private sector's. The costs of materials or equipment is added. The industrial unit marks up sufficiently to cover its own costs, make a small contribution to overheads, and ensure that the university department involved gets 10 per cent.

Resultant prices have proved competitive, which may well surprise many members of UDIL, the university directors of industrial liaison, who told Dr Patton at a meeting of their association that self-financing was an unrealistic aim.

Dr Patton's opposite number at Queen's is Mr Des Blair, who runs Qubis—Queen's University Business and Industrial Services. This is much more up-market than the university of Ulster Service and is closer to longer-term research and development.

Qubis does, however, tap into four longstanding industrial units whose staff are free of teaching commitments and can do consultancy work for full-time periods if required. These cover automation, computers, materials testing and information or communication technology.

Queen's has 100 departments and 800 academic staff. Mr Blair, an electronics engineer with consultancy and general management experience, joined as industrial and commercial liaison officer in 1983 to bring some order into a formerly laissez-faire approach to external relations with business. Qubis was formed the next year. Its striking logo was designed by J. Walter Thompson, the advertising agency.

Where Queen's has developed a novel approach is in the formation of a company, Qubis Ltd, supervised by an impressively strong board of academics and senior industrialists from the private sector.

Private funds

This has an authorised share capital of £500,000, to be called on when required. The money has come from the university's private funds and will enable Qubis Ltd to function on a venture capital basis, taking equity in joint ventures with private sector companies.

The first joint venture is with W. & G. Baird, a printer, to form a company called Textflow. This will exploit computer software developed over several years by Prof Jack Smith and Greystone Press to turn output from word-processors and computers directly into camera-ready copy for printing, eliminating retyping by human typesetters.

Textflow will take material on disk, or downloaded via the telephone, and convert it into the language of electronic typesetting. It can then be transmitted, either physically or by phone, to an appropriate typesetter at a printing plant anywhere in the world.

Apart from allowing "single-keying" for all printing, it will mean that typesetting equipment will not necessarily have to have dedicated word-processors or special interfaces or software to drive it. The printing of very small batches is expected to prove more economical than photocopying.

Qubis has also signed an agreement with ICL to collaborate on the development of new software for commercial and industrial applications. Queen's will provide know-how, staff and premises while ICL will second staff and make hardware and other software available. The agreement is likely to be worth more than £500,000.

Other Qubis projects are expected to be in the fields of lasers, optics, medical engineering, biotechnology, information technology and corrosion. Proposals are being evaluated now.

Meanwhile, complementary to the work of Qubis and the University of Ulster industrial unit, is the industrial science division of the Department of Economic Development. This provides technical advice and information and a "general practitioner" laboratory service. It also has a library with access to European and North American databases. It also carries out technical evaluations for Government departments assisting small businesses.

Ironing out the creases

Linen Industry

ANTHONY MORETON

THE LINEN industry is on the crest of a wave. It has invested some £35m over the past two or three years, labour has been stabilised at around 6,400 workers, over half of production is sold outside the UK and of the 1,706 looms in the province 1,087 are shuttle and 619 rapier—in other words they are all modern and efficient.

It was not always like this. Until the mid-1950s the linen manufacturers lived on their fat and it was not surprising that it collapsed in the early 1970s under the pressure of outside competition and the first oil-induced recession.

One company in the province reports that it put in no new looms between 1912 and 1967; others admit that their marketing was almost non-existent, expecting customers to buy what was produced rather than make what the market wanted. Fashion played little part in the industry.

Consequently, between 1970 and 1982 mills closed and those that remained faced increasingly severe competition from Italian and French companies in Western Europe, some of the East European countries in the mass-market sector and many Far Eastern linen producers at the bottom of the scale.

Both the recovery and the pace with which it has taken hold were stimulated by the Government. In 1982 the Industrial Development Board (IDB) created a linen and allied textile working party to examine problems, suggest ways of overcoming them and identify where the best prospects for strengthening the industry lay.

The report of the working party, published a year later, helped focus attention on the linen business. Essentially, it postulated that the industry had growth prospects, despite many foreign countries having captured part of what a lot of Ulstermen considered to be their natural territory. To achieve growth a task force was created to review the linen industry.

While this task force comprised a majority of those engaged in the industry — from both sides — there were sufficient development board members to have pushed it along should impetus have flagged.

Four IDB members were there to maintain continuity, though as the industry members included Mr Peter Larmor, chairman of Ulster Weaving and Mr Ralph Spence, of Spence Bryson, back-sliding was hardly likely.

The report was necessary because by the early 1980s the industry was in a sorry state. The amount of flax used had dropped from 19,400 tonnes in 1968 to 4,573 by 1983.

In 1959 the industry employed 44,800 people, a figure that had fallen to just under 6,000 last year. With the recovery of the past two years, there has been a slight rise to a current level of around 6,400.

Not all the industry's contraction was due to economic factors. Although falling demand contributed most to the decline the installation of new machinery as the industry became more efficient also trimmed the workforce.

The number of companies in the business also shrank. Between 1979 and 1982, alone, three spinners, seven weavers and one finisher closed.

However, despite the problems facing the industry there was some investment throughout the 1980s. "We continued to invest all the time," says Mr James Herdman, chairman of Herdmans, a leading spinner at Sion Mills, just outside Strabane. Not everyone could say the same but Herdmans is now reaping the dividends as the company is taking on workers.

In 1981 the amount invested by the industry, according to the IDB, was £2.1m. This had increased to £3.2m by 1982, went up to £5.4m the following year and to £7.5m last year.

Spending plans announced or likely to be announced indicate there will be a very large rise this year to some £12m-£15m, indicating enormous confidence in the future of the industry.

That confidence has been based not just on new machinery but a fresh acceptance of what world buyers want from linen.

Stimulated by the Italians, Ulster manufacturers have realised that linen is about marketing and fashion. It is a high-value-added, high-fashion fabric and it is on this area which the industry has concentrated.

Undercutting

There are plenty of low-valued-added linen products, some in the industrial field, such as tents and tarpaulins, some in household textiles, such as tea towels, and some in associated areas, such as handkerchiefs and embroidery. Far Eastern and East European producers can make these goods at prices which undercut most of those obtainable in much of the Northern Ireland industry.

Therefore Northern Ireland has turned increasingly to the top end of the business, competing on fashion, style, and marketing.

"There is no doubt that the industry had become too machine oriented," Mr Peter Larmor, who is also head of the central council of the Irish Linen Industry, admits. "We simply did not take enough account of what the market wanted.

"But we have learnt our lesson. We are improving our marketing all the time."

One small example of this is to be found at Spence Bryson where a range of fancy yarns is being produced. Not all will find their way through to the market but those that do will take market consciousness of linen a long way down the road from the usual conception of the material being largely biscuit-coloured.

Concentration on the top end of the market enables the industry to overcome one of the greatest difficulties it has in the apparel field—overcoming resistance to creasing.

Linen certainly creases; some people in the industry admit that it creases badly. At the bottom end of the price scale this is a serious drawback. A young girl buying a jacket or dress in the £19.99 to £29.99 price bracket from a chain store wants the easy-care attributes found in man-made fibres. She does not want a garment that creases.

At the top end of the scale, however, where price is less important, the buyer is sufficiently self-confident to be able to carry off the fact that a garment is creased, secure in the knowledge that anyone in her social circle who sees the creases will automatically know the garment to be linen and, therefore, expensive.

Not everyone believes that the connection between linen and creasing has to be accepted for ever. Work is going on at the Linen Industry Research Association at Lambeg, just outside Belfast, to find ways of reducing the fabric's proneness to crease.

The scientists and technologists there have found a way of coating the fibre with a resin that will reduce creasing. But one side effect is that the resulting fabric becomes more brittle than is acceptable. "I'm afraid we just have to accept for the foreseeable future," says one manufacturer, "that there is no real answer to this problem."

Despite the problem the Northern Ireland linen industry has a good outlook in many areas, especially in spinning, apparel fabrics and flax growing itself. Its future in household textiles is less encouraging while in furnishings, industrial uses and treated fibres prospects look bright. That the industry has recognised these opportunities is self-evident from the amount of investment being made.

Traditional weaving in Belfast

Linen now has a high profile in the fashion world.

PROFILE: Lambeg Industrial Research Association

Expansion moves into new fields

WHEN the Lambeg Industrial Research Association (Lira) was set up in 1919 its central role was seen as assisting technical change in the linen industry. This role has changed considerably over the years and, while technical matters continue to be the core of its work, the association is now concerned with the marketing, commercial and technical plans of its customers and member companies.

This evolution has run parallel with the other research associations devoted to the textile industry — Wira, which serves wool, in Leeds; Shirley Institute, which serves cotton and man-made fibre, in Manchester; Hatra for the hosiery industry in Nottingham; and Satra for the shoe industry in Kettering.

All have had to come to terms with a change in the basis of their industry and with a gradual reduction in Government involvement with industrial research.

This evolution does not cause Dr Bill Foster, director of Lambeg, particular grief. "We are much more concerned with the future than the past anyway," he says. "Traditional end uses for linen are now old hat. At Lira we are looking for new developments in the fields of finer yarns, reducing creasability, blending, flammability and other areas."

Lira is also looking for ways to stimulate the area given over to the cultivation of flax in Northern Ireland and conducting field trials in its back garden.

Western European production of flax is dominated by France, which has some 100,000 acres under production (though this is swamped by Russia, the world's largest producer, which has some 3m acres). By comparison, production in Ulster almost disappeared and is only now making something of a comeback as yarn production picks up. Ways are being found of overcoming the wet conditions in the province which put its production at a disadvantage with the warmer, drier France.

While developments such as flax will continue to be highly important to Lira, its work ranges much more widely. It is heavily concerned with textiles from polyolefins, particularly in developing extrusion and processing techniques for film, tape, fibre and filament.

It is also heavily involved in environmental pollution. It has, for instance, developed a range of low-cost catalysts which are highly active in oxidation reactions. These have been applied successfully in the treatment of difficult industrial effluents and gaseous emissions.

Such work has traditionally been heavily funded by membership contributions but, as in the other textile industry research associations, Lira has had to come to terms with the fact that many members are antipathetic towards paying the increasingly necessary higher fees for the work in hand.

Search for income

Lira, like its contemporaries, has therefore had to go outside, sometimes outside the industry itself, to generate the income to keep its 65 staff, 25 of them are highly qualified scientists and engineers, employed.

Today, only 25 per cent of its income comes from membership contributions, with the Government, through the Textiles and Other Materials Research Board, putting up another 35 per cent of its £650,000 income.

There is some indirect Government assistance in that the publicly funded Northern Ireland Industrial Development Board contributes, but the important indicator is the 25 per cent of income that comes from contract work for outside bodies.

This percentage is bound to rise, if only because the Government is reducing its contribution by 10 per cent in 1986 and 1987.

A drive for new members, especially abroad, is being conducted according to Dr Foster. Lira has not been without success in this field: it already has members in Canada, Australia, South Africa and—a foreign country if not strictly abroad—the Irish republic.

Great store is also being placed in Lira's work on flammability, an increasingly important subject in textile technology.

Anthony Moreton

Lignite is main focus of new development

Energy
HUGH CARNEGY

IT IS typical of Northern Ireland's luck in the energy sector that the thickest seam of the province's latest hope, lignite, lies directly beneath the county Antrim town of Ballymoney and is therefore inaccessible.

Still, officials at the Department of Economic Development can smile about it because of what they see as the very promising outlook for the rest of the lignite, or brown coal, deposits found in the province.

Since the decision in September 1984 to scrap a plan to pipe in natural gas from the Republic of Ireland's offshore Kinsale field, lignite has become the main focus of future energy development in Northern Ireland.

The abandonment of the Kinsale scheme was lingering and painful. Indeed, the effect of the decision is still being felt. In October, the Government announced a complicated package of grants and subsidies to help consumers change back from gas appliances costing £20m. That followed rejection last April of a reduced rescue plan that would have saved at least a part of the Kinsale project.

Officials say the overall cost of closing the gas industry will be about £100m and it will mean the loss of about 1,000 jobs in the work-starved province. This compares with capital investment costs of £150m which the Kinsale plan was projected to have cost.

Optimistic

There are those who still argue that the scheme was economically sound and should have gone ahead.

But most attention has now swung over to lignite, the first natural energy source to be discovered in significant quantities in Northern Ireland.

The outlook is optimistic enough for Northern Ireland Secretary of State Tom King to have told a fringe meeting at this year's Conservative Party conference in Blackpool that it held out the prospect of the province having "within a relatively short period of time" the cheapest electricity in Britain and possibly in Europe.

That is certainly an attractive prospect for a region where electricity costs are pegged to the most expensive areas on the mainland grid, despite a Government subsidy which reached £100m in the year of the miners' strike.

Given this background, even normally cautious bureaucrats are moved to acclaim the "tremendous potential" of lignite.

It has been known for years that the soft coal existed in Northern Ireland but it is only comparatively recently that it was discovered to be in large quantities. So far exploration has revealed two thick seams totalling some 400m tonnes of recoverable lignite at Crumlin by Lough Neagh, about 200m tonnes on the other side of the Lough at Coagh and large deposits around Ballymoney, some of which is accessible.

The deposits certainly appear, on these figures, to be capable of sustaining electricity generating plants for a good number of years. The early projection, which Mr King mentioned, is for a lignite burning power station to be built at the mouth of an open-cast mine at the Crumlin site.

At present, the Northern Ireland Electricity Service is conducting a detailed planning study due to be completed early next year which is looking at the prospects for private sector involvement in exploiting the lignite. Northern Strip Mining, a subsidiary of Burnett and Hallamshire, already has a mining licence at Crumlin and plans to produce about 12m tonnes over 10 years for processed lignite products as a domestic substitute for coal.

The major potential identified for the Crumlin deposits is for electricity generation at a mine-mouth power station consuming raw lignite. The potential for more expensive processed lignite is less clear.

The question of the economic viability is, of course, central to tha issue and subject to some dispute. A study by the Northern Ireland Economic Council showed that long-term development of the Crumlin deposit alone could yield annual fuel import savings of £45m and contribute 1.2 per cent of GDP. The Government subsidy could also be eliminated.

John McMullen of the Energy Studies Group of the University of Ulster is sceptical. He says the fact that Northern Ireland already has more than 80 per cent over capacity in electricity generation—demand of 1,200 Mw contrasts with more than 2,000 Mw installed capacity — coupled with the huge capital investment of around £500m that lignite exploitation would require makes it hard to justify developing lignite until the turn of the century.

Even then, he says, it should be in a combined heat and power scheme, tapping the hot water output of the power stations for serving domestic consumers. The Department of Economic Development say such schemes are very hard to meter and have not proved popular in the past, but Mr McMullen argues that combined heat and power would mean getting 60 per cent efficiency from the fuel instead of as little as 30 per cent.

The emergence of lignite has pointed up the difficulties facing the NIES over its existing four power stations. One, near Belfast is an old coal-burning station while the other three are oil-fired plants planned in the 1960s before the oil crisis price explosions.

The Government decided earlier this year to convert two oil-fired boilers at the Kilroot station to coal at the cost of £94m.

This is expected to reduce the NIES's fuel bill by up to £40m a year. The NIES is now coming under pressure from the National Coal Board, for which the province is already an important market, to equip Kilroot with two more coal boilers.

The completion of these was shelved as a result of the 1979 upsurge in oil prices. If the extra boilers were installed it would raise Kilroot's capacity to 960 Mw from 360 Mw.

The NCB claims this would not clash with plans to build a lignite-burning station, but this argument must be in doubt given the over-capacity already existing in the province.

Environment

Another consideration that has not been forgotten in the speculation over lignite is the effect on the environment exploitation of the deposits could have. In eastern Europe, and especially in Turkey, heavy reliance on lignite has resulted in serious pollution, mainly from acrid, sulphurous smog.

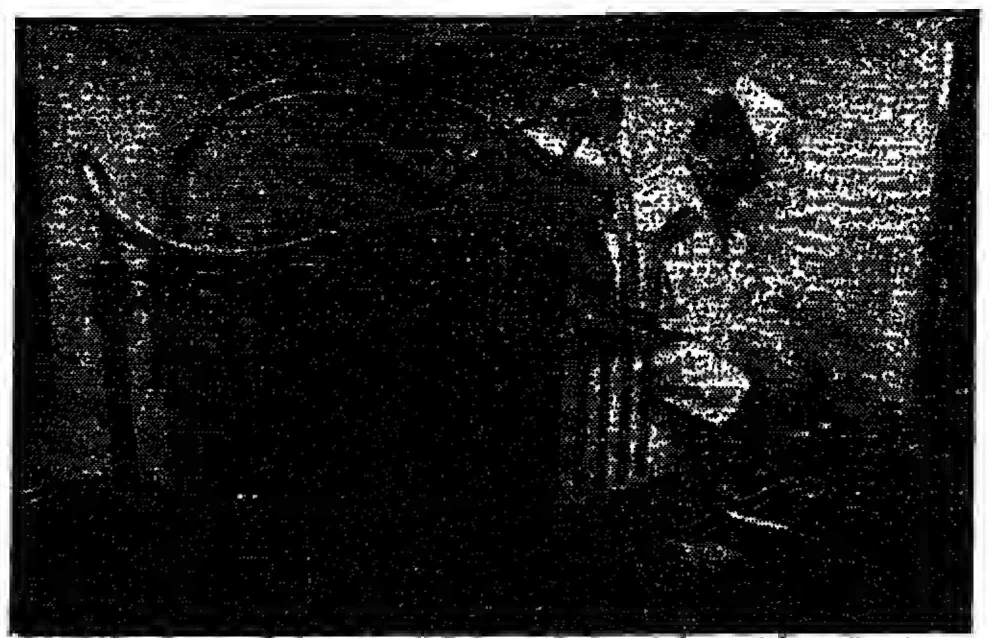
On this count, at least, Northern Ireland should be spared as the sulphur content of the deposits is as low as 0.1 per cent, lower than bituminous coal and much lower than levels of as much as 5 per cent in eastern European deposits.

However, Mr McMullen fears high nitric oxide effluent in stack emissions which would produce nitric acid content in precipitation. There are also fears of the impact on Lough Neagh of warm water emissions from a mine-mouth power station which could affect the local fishing industry.

The energy sector does not escape the political problems that plague the province. Although the Kinsale project attracted broad political support from both unionists and nationalist politicians, electricity supply is affected by the destruction by the IRA of the interconnector between the north and the republic.

It was blown up in 1972 and has never been restored because it runs through the bandit country of south Armagh and the Government believes it would easily be destroyed again.

Mr McMullen reckons the cost of losing this facility to spread peak across the border costs Northern Ireland alone about £5,000 per day.



Galen Ltd, a pharmaceutical company, at Craigavon, Co Armagh, is one of the small businesses helped by LEDU

Small business aid earns its keep

NEARLY HALF of the new jobs in Northern Ireland are now in small businesses employing fewer than 50 people. They have also been generated cheaply—at a cost so far of £880 of government assistance per man-year of employment. When the figure was calculated the average business assisted was 3.4 years old, which works out at under £3,000 per job.

This figure should reduce gradually as more new businesses live longer, which throws an interesting sidelight on the cost of job creation. Attracting inward investment by big business costs up to 10 times as much per job: aid to small business is therefore more than earning its keep.

It seems to be one of Northern Ireland's unsung successes. The Government makes little play of it in its promotions because small business is usually not about inward investment. Yet what is happening in the small business sector is an important testament to self-help. Few potential inward investors would be unimpressed with what is says about attitudes in the community.

The point surprises Mr George Mackey, chief executive of Northern Ireland's small business agency LEDU, which stands for Local Enterprise Development Unit, for LEDU's role is seen largely as internal.

His 85 highly-qualified staff—most are graduates or professionals with industrial or commercial experience—have been so busy that no one seems to have considered much the propaganda value of what has been achieved.

There may actually be wider lessons, for LEDU is unique in the UK, and Britain has relied latterly on the enterprise agency movement — loosely funded by the private sector—to help the small business sector develop. Government policy in Britain has evolved reactively in a laissez-faire atmosphere. In Northern Ireland the approach has been a planned, deliberate one.

LEDU is like an augmented enterprise agency. It is an official government office within the Department of Economic Development and has wide powers to assist small businesses into being or expansion. It can disburse grants, lend funds and help in much the same way that the Industrial Development Board (IDB) does with big businesses.

This year it will disburse £15.5m to small business in the province and spend another £2.5m on administration and advisory services covering such areas as counselling, design and technical help.

It was modelled on Cosira, the Council for Small Industries in Rural Areas, which functions very effectively in Britain, creating jobs outside the main conurbations. When LEDU was set up in 1971, small business was not regarded as highly as now and its goals were a modest 1,200 new jobs a year.

Five years ago, however, as recession made the province's unemployment worse than ever, this figure was thought too insignificant a contribution.

LEDU
IAN HAMILTON FAZEY

LEDU's targets were trebled, funding was stepped up and the unit's role was re-assessed.

The original idea had been to help counterbalance some of the less helpful social effects of inward investment drives, which tended to attract large companies to the east of the province, near the main port of Belfast. This inevitably aroused suspicions that Protestant areas were benefiting disproportionately.

LEDU tended therefore to concentrate its efforts outside Belfast and pay particular attention to the west of the province. Now it acts everywhere. Its impact is growing year by year—from 1,613 new jobs in 1981-82, to 2,550 the next year, 3,658 the year after and 4,009 last year. It expects more than 4,200 in 1985-86.

It does not part with taxpayers' money easily. Mr Mackey says: "We tie up our grants in such a way that they have to be earned. It's never a straight handout."

Like the IDB, it likes to see the applicant putting up one-third of the resources needed, with one-third coming from the banks. It will then provide the remaining third, though in practice it will often go up to 40 per cent, with the entrepreneur's share dropping correspondingly.

The entrepreneur's stake vouchsafes serious intent. Mr Mackey says that the Government's loan guarantee scheme for small business failed in Northern Ireland because it attracted people with poor projects who had nothing personal to lose because their bank borrowings were underwritten.

LEDU has organised its business appraisal procedures and conditions of funding so that it does not make such mistakes.

It also has three tough criteria. First, the business has to be "right" for Northern Ireland. Second, it has to really need a leg-up from LEDU—if it can succeed without help it will not get it. And third, it has to be able to achieve positive cash flow in its second year.

"We have several ex-clients who now turn over more than £10m a year and employ 200 people," Mr Mackey says.

There is an enterprise agency movement in Northern Ireland, but it is unlike Britain's. LEDU has encouraged local authorities to set them up to form a complementary second tier working particularly on arranging suitable premises for enterprise.

Thus, old factories are being converted into workshops, so that in Londonderry there are now 48 small businesses in an old shirt factory in the Strand Road catholic area and a similar number in another old clothing factory in protestant Water Ide.

LEDU's original role confined it to manufacturing but its remit has extended to the service sector too in the 1980s, though no one believes that this will run to helping fast food franchises, which are rated as having poor prospects in the province. Indeed, "service" is exactly the right word for one project LEDU has aided—an artificial insemination centre for pigs.

Other service sector businesses helped have been in the fields of health care, commercial testing, database technology (serving a network of insurance companies throughout the UK) and export packaging.

Another piece of aid unique to Northern Ireland is the enterprise grant, where an unemployed individual thought likely to succeed can get £3,000 to buy tools and machinery and lease premises. The figure matches the cost of creating each new job in other types of project. Enterprise grants led to 426 new jobs last year—10.6 per cent of the total.

LEDU's presence, of course, acknowledges the truth about industrial development throughout Western Europe—with so much competition for inward investment, development from within via small businesses is critical.

Proportionately speaking, LEDU can give the small entrepreneur as much aid as a multinational giant. In doing so it almost outdoes the IDB's inward investment efforts—and at a fraction of the cost. There must be a lesson in that.

PROFILE: BLOOMER ELECTRONICS

By Hugh Carnegy

Keen eye for market winner

JIM BLOOMER, a sandy-haired, sharp-witted entrepreneur from Portadown, is the kind of successful small businessman the government development agencies in Northern Ireland dream of in their drive to build new manufacturing outlets in the province.

His company, Bloomer Electronics, this year became the first Northern Ireland company to win the Export Award for Smaller Businesses, backed by the Confederation of British Industry and sponsored by British Caledonian, the British Overseas Trade Board, Thomas Cook and Midland Bank.

The company also came third in the 1985 National Small Business Efficiency Awards sponsored by British Telecom and the Association of British Chambers of Commerce.

The company is, in fact, one of three grouped together on the Carn industrial estate in Portadown, southwest of Belfast, with which Jim Bloomer is associated.

Within a few yards' walk of Bloomer Electronics smart factory lie Campus Sportswear, turning out up-market leisurewear, and Motoplas, a company using an innovatory plastics repair process which is run by 24-year-old Bloomer protege, Alan Hyde.

All three companies are prime examples of how a keen eye for a market, a sound product idea and sheer determination can lead to impressive success.

Mr Bloomer, formerly chief engineer at Goodyear and Portland Cement in Northern Ireland, started Bloomer Electronics in 1976 after a bout of serious illness had prompted him to rethink his career. He had spotted that there was a demand among big companies in Northern Ireland such as ICI, Goodyear and British Enkalon for swift breakdown servicing of their electronic machinery.

With his friend Kenneth Gwynne, he set up an office in his spare bedroom. They began to win clients by having a stock of spares which could be quickly supplied, cutting down their customers' lost production time.

Two years later, Mr Bloomer saw that the growth of high-tech electronics in the Irish Republic meant a further market was opening up for both supplying and designing electronics components. The company opened a small plant at Ennis in Co Clare which, together with the Portadown plant, has brought the number employed to 27.

Today, the company assembles power controllers for robots, makes harnesses and connectors for Standard Telephone and Cables and parts for Braun hairdriers. It also supplies other products to companies such as Digital and Apple.

Mr Bloomer says 50-60 per cent of the business is value added. Projected turnover this year is £3.5m with 8 per cent net profits.

The company, Mr Bloomer says, is now at saturation point and needs a big injection of capital to expand. He is characteristically forthright in his criticism of the banks in Northern Ireland for their cautious lending policies and says he is looking instead for a possible takeover to provide the necessary injection of funds.

Big demand

The company is growing at a rate of about 35 per cent a year at the moment. Mr Bloomer said this could be much greater. He is doing some £500,000 of business with STC at present, but the demand was as much as 20 times that, he said.

Mr Bloomer, meanwhile, started another company in January of this year to make sportswear under licence from Campus of New Jersey. Sales are booming in the UK, Europe and the Middle East and the company has plans to expand its 85 workforce to 150.

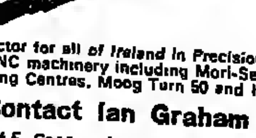
Turnover is expected to reach more than £4m within two or three years, backed by several hundred thousand pounds from the Northern Ireland Industrial Development Board.

The third company, of which Jim Bloomer is a director, is an exciting project which grew out of an idea which came to Alan Hyde when he was working with a motor dealer supplying new plastic car parts.

Mr Hyde realised there was a large market potential for repairing plastics if a method could be found which was both effective at restoring the damaged item and cheaper than replacement. He worked for months in his spare time in his mother's garage until he perfected a process of plastic welding and finishing.

The results are startling: a smashed plastic car bumper can be restored and given an as new paint finish for—to the customer—about half the cost of replacement.

Mr Hyde and Mr Bloomer are now preparing to franchise the process throughout the UK and licence it abroad. In the meantime, the original workshop at Portadown employs 11 people and cannot keep up with demand, which spreads far beyond the motor trade to all sorts of industrial uses of plastics.



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Northern Ireland 7

Hills touched with gold

Gold

HUGH CARNEGY

One bright story from Northern Ireland recently was the announcement in November by Ennex International of Dublin that it had found gold deposits in the Sperrin Mountains of County Tyrone in quantitios likely to support commercial mining.

Ennex was quick to explain that the finds in the Sperrins — an area of rolling hills rather than mountains — were not going to trigger a Klondike-like gold rush to the province. But Ennex took up prospecting licences in the area because local people had long known that small nuggets were occasionally to be found in local streams.

Ennex suspected this meant there was a bedrock source to be found and they proved themselves to be right.

Bedrock sources were found in mid- and late-1983 and a systematic exploration programme began. Trenching and drilling showed numerous quartz veins down to a depth of 480 ft. Gold values ranged from 0.1 oz of gold per ton over 5 ft to 0.61 oz over 19 ft. The average grade was 0.27 oz per ton, a level of "very definite economic interest," according to Ennex.

The company has been cautious in estimating the total tonnage present but it is likely to run well into six figures. The Ennex findings, the company says, have changed the industry's attitude to the Northern Ireland gold discoveries from scepticism to one of keen interest and expectation and a sharp rise in gold exploration in the region is expected.

Ennex is stil evaluating tha results of its detailed exploration work but all the signs are that it will go ahead with a plan to sink a ramp-type mine next year. The main purpose of this is to carry out bulk sampling of the quartz veins and test their continuity.

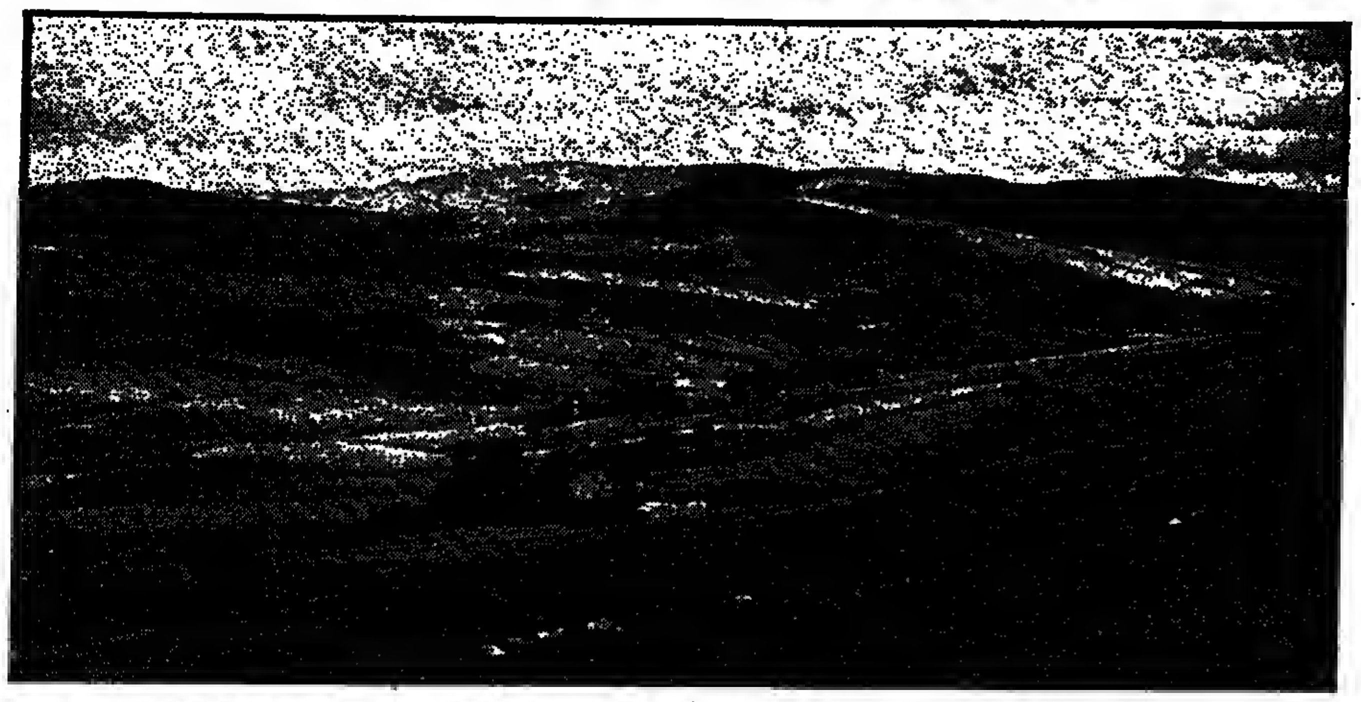
If results from this are positive, tha company says, a decision to go ahead with commercial production could be taken around the middle of next year.

The question about which Ennex is understandably coy is how much a commercial mine might produce. Industry insiders say the deposits Ennex has indicated exist could produce about 60,000 tons of material a year, or about 12,000 oz of gold, from a small number of mines employing a total of up to 100 people. Such output would make Northern Ireland a small but significant exporter.

Optimism over the finds has to be tempered by the knowledge that gold finds havo been speculated over in the past in Northern Ireland.

The Ennex finds are the result of painstaking and expensive exploration work which may yet not result in the hoped-for outcome. The company has spent about half a million dollars in the Sperrins this year alone and costs will rise steeply when the project goes underground.

But as the company itself points out, it is part of the Northgate group of companies which are major gold producers in Australia and Canada. Its people know what they are doing and they have the air of quiet confidence about them.



The Sperrin Mountains of County Tyrone where gold deposits are likely to support commercial mining. The area is typical hill farm country

Sharp drop in farm incomes

Agriculture

MICHAEL DRAKE

NORTHERN IRELAND farmers, reeling from the body blows inflicted by the wettest summer in living memory, are now fighting for survival.

Across the province potato fields remain unharvested; cereal crops have been crushed flat by the elements and livestock are in danger of running short of fodder long before the winter has passed.

A far cry from a year ago, when because the climate was kinder farmers made money and according to government estimates put an extra £35m in their pockets.

Today tho scene is an entirely different one. Already there is talk of mass bankruptcy on the land and a call has been made for tha main banks in Northern Ireland to look more sympathetically on thoso who bavo been their customers in good times as well as bad.

In fact Mr Tom King, Ulster's new Secretary of State, who has been taking an unusually activa interest in the province's agricultural industry for one in his position—is said to bave spoken to the Governor of the Bank of England on the matter.

Conservative estimates put the damage of a bad summer in the region of £40m. But before tbe spring touches the land again many more millions will be lost to Northern Ireland's largest industry.

In recent years summer conditions wero so good and supplies so plentiful farmors were actually able to export consignmonts of bay to the continent.

Today tho situation is so soriotis tbat tbe Department of Agriculture has granted licences—for the first time—for the importation of feedingstuffs from as far away as Australia and Canada.

The value of milk produced on Ulster's 8,000 dairy farms declined by more than £13m or 7 per cent in the past year according to the Milk Marketing Board.

During the year producer numbers fell by 350 and the damage done to the industry by tbe introduction of EEC quotas also took its toll.

In the same period there was a substantial fall—over 50m litres—in milk output, the largest annual rednction since the inception of the MMB 30 years ago.

All-in-all it is believed that the province's dairy farmers suffered a 10 per cent reduction in gross income as a direct result of EEC milk quotas in the past year.

Ulster Farmers Union president Mr Bill Martin has warned that farmers will suffer another sbarp drop in incomes because of the effects of tho past summer.

Poor weather

"Figures for the past year show a record high level of net farm incomes but it will be recalled that this was attribnted to the exceptionally good weather pattern in that year which produced very high yields at unusually low input volume cost.

"By contrast, 1985 looks lika being a year of exceptionally poor weather for most of tho United Kingdom and particularly for areas like Northern Ireland," be said.

The Department of Agriculture's Chief Agricultural Officer Tom Larmour estimated some 750,000 tonnes of fodder had been destroyed by the bad weather and it will take 300,000 tonnes of concentrate feed to make good the shortfall.

To the cynical who assert that farmers and farming are continually bolstered it must be illustrated the part the agricultural industry plays in the Northern Ireland economy.

Just how significant the industry is to the province can be gauged by the value of Gross Output last year, estimated at £771m and an increase of 5 per cent.

The volume of output, measured in constant (1980) prices rose by 3 per cent because farmers benefited from substantially higher disposals of cattle at heavier weights; a further increase in sheep and lamb marketings.

Increased average producer returns for many commodities outweighed the effects of lower prices for milk, barley and seed potatoes.

Exports of beef, mutton, lamb and pork have all increased in recent years and added value to beef in boneless form bas provided trading advantages ospecially in respect of Third World countries.

This trade bas fallen off somewhat in recent months because of the unattractiveness of export refunds. Now groater emphasis is being placed on continental supermarkets as an outlet for Northern Ireland beef.

In the past year beef exports rose to some 117,301 tonnes of which 43,567 tonnes represented boned-out beef.

The French market is one of the most valuable the farmer has for his Ulster lamb because a different support system in the UK makes it difficult to sell to the mainland.

The Livestock Marketing Commission in Northern Ireland is undertaking a survey to see bow best this problem can be tackled to ensure further marketing outlets.

In the past year the index of producer prices (1978=100) rose from 130 to 132 and while this index does not cover the items which make up Gross Output pricea overall were estimated to have risen by 2 per cent.

Expenditure on inputs of materials and services estimated to havo fallen by one per cent stood at £462m.

Although average input costs rose by 5 per cent, rather more than double the rate of increase in output prices, the volume of input usage declined by 6 per cent. This is taken mainly to reflect lower purchases of feedingstuffs as farmers reduced milk production—a consequence of EEC quotss—eggs and poultrymeat production.

Total purchases of feedingstuffs by the industry were estimated to bave fallen by 10 per cent but the average price rose by 4 per cent so total feed costs were just under 7 per cent lower than in 1983.

More fertilisers

The upward trend in the use of fertilisers continued in 1984 with a 10 per cent increase in the quantity of nutrient purchases. The average cost rose by 7 per cent and the total value of the industry's fertiliser bills went up by 18 per cent.

An 8 per cent rise in tho price per head of store cattle imported from the Irish Republic was the principal reason for an 11 per cent increase in the province's bill for imported livestock.

As the valuo of Gross Output rose by £39m and Gross Input fell by £5m the industry is estimated to bave increased by £44m or 17 per cent its [illegible] Product.

The farmin[illegible] ted for [illegible] year wa[illegible], some £35m [illegible] of the previous [illegible] jointly with the 1977 figure the highest in real terms since 1973.

When an examination of the cash-flow position is made the pre-tax funds available to farmers snd their families last year wero not as great as the increase in farming income.

This, it is fett, was due to higher expenditure on capital investment, not of grants received, than in the previous year.

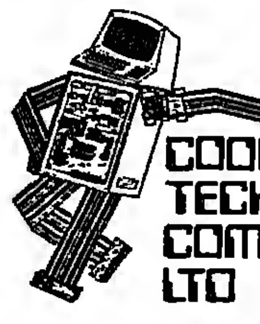
The volume of buildings and works investments on farms rose by 24 per cent while the plant, machinery and vehicles investment was ostimated to havo increased by a similar percentage.

Beof output went up by 16 per cent; pigs marketed fell but a 5 per cent increase in prices helped raise the volume of output by over 4 per cent to £76m.

The enthusiasm with which farmers are concentrating on sheep production was shown by a 10 per cent increase in the volume of sheepmeat output.

The fact that the EEC is only 75 per cent self-sufficient in that commodity is one ray of hope for Ulster farmers as they face the uncertainties of the future.

• The author is agricultural correspondent of the Belfast Telegraph.



The battle for Belfast Car Ferries

Ferries

IAN HAMILTON FAZEY

THE BIG unanswered question over Northern Ireland's sea links to Britain is who will be the next owner of Belfast Car Ferries, which operates the ten-hour crossing to Liverpool. The company is part of the Dublin-owned Irish Shipping group, profitable operations.

The issue will not be settled until the new year. Bids were asked for at £5m or more, though informed opinion suggests that around £4.5m would still be a good price. There are several bidders, but since they had to swear to confidentiality in order to obtain a prospectus, no one is talking for fear of jeopardising their chances.

However, there are clues to be had from a study of who is already sailing what across the northern half of the Irish Sea. Belfast—although the major port for deep sea shipping—is not the key to operations, but Larne, a mere two hours from Scotland and now the province's most important maritime link with the British mainland.

Sealink uses three ships between Larne and Stranraer, with nine sailings. Townsend Thoresen, with two ships and six sailings, uses Cairnryan, five miles farther up the Scottish coast, therefore ceding the foot passengers to Sealink because the railhead is at Stranraer. Freight movement is substantial. Nevertheless, Townsend Thoresen claims a 33 per cent market share.

It is also in the happy position of winning both ways, since its parent company, European Ferries, owns Larne Harbour, charging Sealink to use it. However, Mr Denis Gratton of Townsend Thoresen says that this behoves the harbour management to be more than fair to Sealink.

Both companies are in a strong position on the Irish Sea. Between them they transport 1.25m passengers a year through Larne. Demand and market shares are healthy enough for them to share a £2m passenger terminal, which opened last month. This has been modelled on airport terminals, with comfortable facilities and shopping. Sharing it is seen as no different from what happens at most airports, where all carriers use the same terminal.

The other big force on sea crossing is P & O, which used to operate the Belfast car ferry to Liverpool at mounting losses. P & O has been very successful in using Larne for freight.

Its subsidiary, Pandoro, uses two roll-on, roll-off ships to move driver-accompanied container lorries through Liverpool and Fleetwood. It claims a 20 per cent market share from the 70,000 loads it moves each year.

P & O also moves 20,000 loads a year to Ardrossan, a service operated by another subsidiary, Northern Ireland Trailers (Scotland). It is investing £3m in a new ship with double the capacity in order to develop this.

Closure

Given P & O's previous experience on the Belfast-Liverpool service, it is unlikely to be a bidder for Belfast Car Ferries. The company ran two ships, each making a night crossing. Passengers figures declined to about 300,000 a year and the service came under increasing threat as losses mounted. Strikes and sit-ins by the Liverpool crews failed to prevent closure.

When Belfast Car Ferries opened as part of Irish Shipping several months later it was with one of P & O's former accountants, Mr John Hewitt, as chief executive. Mr Hewitt, who was more famous throughout Ireland for being a rugby international and Irish selector, started off with the company lean enough to make profits from the outset.

It has one ship only — named after a Northern Ireland saint acceptable to Protestants and Catholics, St Colum — and uses it intensively, sailing from Liverpool each morning and from Belfast every night. It averages 440 passengers a trip, moving 232,000 a year. It is full up at 1,000 people on about 12 sailings a year around holiday periods, Christmas and Easter.

It would make sense for Belfast Car Ferries to be bought by either Sealink, Townsend Thoresen, or—and Mr Hewitt's refusal to answer the question is as good as an admission of having made a bid — a consortium involving the company's own successful management.

The company would fit with Sealink's increasing dominance of the Irish Sea, since it also managed to merge with — and, in effect, control — the Isle of Man Steam Packet Company this year. One thing this led to was the ending of the island's link with Liverpool because Sealink owns Heysham Harbour in Lancashire and switched its traffic there. Under Sealink, would the Belfast service go the same way?

The important question, however, is how the service would fare as part of a bigger group. Its advantage under Mr Hewitt has been that it has functioned as an independent, medium-sized company employing about 180. This broke old entrenched attitudes, reducing overmanning and encouraging employees to help the company pull itself up by its own bootstraps.

Would a resumption of big-company ownership of the service lead to a diminished sense of involvement and less commitment? One view suggests that carrying on as now, but with a big backer taking a stake to underwrite long-term stability, might produce the best results all round.

A peaceful village scene. Newtonstewart, by the River Mourne, Co. Tyrone. Above, right: a sandy beach by the wild rocks and cliffs, Portrush, Co. Antrim.

Visitors nearing 1m

Tourism

ALAN WATSON

THE STATE of Northern Ireland's tourist industry has for many years been dependent on the image which the province has generated in the national and international Press and media.

For more than a decade the industry has had to sell holidays on the basis of little more than curiosity value. Many of those who already knew the attractions remained loyal but persuading newcomers to sample the place was an uphill task.

Recovery when it came was quite spectacular. In 1982 and 1983 the number of staying visitors was rising by an annual figure of more than 20 per cent, with a corresponding boost to revenue.

Now the growth has levelled off to what elsewhere would be regarded as solid progress. The area promoted by Northern Ireland's salesmen is, after all, no larger than Yorkshire.

In 1884, the number of visitors rose by 5 per cent to 908,000 and the revenue they generated was up 8 per cent to £78m. Sir John Swinson, chairman of the Northern Ireland Tourist Board, knows that exceeding what has become known as "the magic million" in terms of visitors is going to take some very hard work against tough competition. Hopes can be dashed all too easily by fresh political instability or acts of violence.

Growth will have to come mainly from the pure holiday sector. The number of people travelling to Ulster either on business or to visit friends and relatives is reaching "normal" levels.

The pure holiday market logged a 9 per cent increase last year as a result of Northern Ireland's improving image and by dint of a hard slog by the industry and the tourist board to sell holidays in overseas markets.

All the province's markets produced reasonable growth except for North America which saw a 17 per cent drop. This was due partly to the collapse of a weekly cheap-rate charter service from New York to Belfast but was affected, too, by competition from the rest of the UK and the fact that Americans touring Ireland were restricting their itineraries to save their pockets.

The tourist board has stopped including day-trippers from the Irish Republic in its calculations, mainly because of the difficulty of estimating the numbers precisely. In 1983, day-trippers taking advantage of lower shop prices in the north pumped £120m into the economy but tax adjustments in the south have removed much of the attraction.

Fewer Northern Ireland residents took holidays within their own province last year and this summer's atrocious weather is likely to have reduced the number even further. Revenue from home holidaymakers fell by 11 per cent to £29.6m in 1984 which the board believes reflected a shortage of disposable income. It also mirrored a trend apparent throughout the UK.

Sir John believes 1984 growth levels were good in comparison with the performance of international tourism. There was encouraging consolidation and progress in the pure holiday sector, especially from the two nearest markets in the Irish Republic and Britain. Europe also showed an upward trend although to a lesser degree.

In his annual report he said "We are optimistic that the North American downturn will be reversed. As part of our policy of diverting some of our resources each year to exploring new markets, we have had a most encouraging reception in Australia and New Zealand and expect to see real results from there within a year or two."

Nature has given Northern Ireland a diversity of scenery and more than enough water to meet the needs of the sailing and angling fraternities. The development of tourist amenities and hotels continues to receive significant grant aid from the Government, not least because the industry employs more than 9,000 people and has the potential to employ more.

Consultants commissioned by the tourist board to assess the industry's part in the economy estimated that in 1983 it contributed 3 per cent to GDP as against 4.5 per cent in Britain. Catching up on the rest of the UK would bring obvious economic benefits.

Choice of airports

THE PASSENGER facilities at Northern Ireland's second airport fall far short of Heathrow standards. The terminal building is ancient, utilitarian and spartan. During the war it was an officers' mess. In the departures lounge, 120 can be squeezed in at a push. If the weather is good in summer they can be spilled outside to garden chairs and tables with umbrellas on the grass.

Flight information is generated on cheap black and white televisions by a Sinclair Spectrum computer programmed by Mr Des Kernaghan, who combines the roles of airport manager and senior air traffic controller. In his utilitarian office he tells a tale of opportunity grasped.

Belfast Harbour airport is based on the airstrip where Short Brothers has tested its planes for more than five decades. The aircraft factory is across the other side of the runway from the terminal. The most important thing about it is that it is in the middle of Belfast, a five-minute ride from the city centre.

Using it saves a longer, more expensive journey from the province's main airport at Aldegrove, 18 miles away. The increasing numbers of people who have taken advantage of its emergence testify to the insignificance of creature comforts when weighed against convenience.

The airport is owned by Shorts and began its new role early in 1983. The key to its operation has been Shorts' highly successful commuter aircraft, the 360. Fleets of these comprise the main traffic, with the two British Midland subsidiaries, Manx Airlines and Loganair, running scheduled services from Manchester, Liverpool, the Isle of Man, Glasgow and Edinburgh.

A third small airline, Jersey European (formerly Spacegrand, "Blackpool's own"), flies from Belfast Harbour to Blackpool, the Isle of Man, Exeter, and Teesside. Next month it will start a Birmingham service and it has successfully applied to open a new route to Southampton next year.

That there is a market for the services is shown in passenger statistics—89,000 between February and October 1983, 179,000 in the next 12 months and 200,000 in the year just ended. The airport expects to handle 250,000 this year and because of growth is likely to franchise its shop and snacks counter to use its own management time more effectively. A liquor licence is also being sought.

For Shorts, the airport has provided a working shop window for its commuter aircraft. The company is wary about claiming that sales have resulted but they almost certainly have. For example, when the Glasgow route opened, Loganair was servicing it with one Twin Otter. By the third week it needed three of them. A week later, Shorts had sold another of its 360s.

Although pleased with the airport's success, however, Shorts is careful about boasting too much. The company was kept afloat for years by the taxpaper before a combination of the 360 and related aircraft, sub-contract work for Boeing, and Falklands-proven weapons systems helped it back towards the black.

It is sensitive to criticism that the airport may not have been an appropriate venture on which to risk public money.

Communications

IAN HAMILTON FAZEY

Part of this arises from the undoubted effect Belfast Harbour has had on Northern Ireland's main airport, Aldegrove. Shorts refuses to comment and will not let Mr Kernaghan do so. Mr Gerald Willis, Aldegrove's chief executive, has no similar inhibitions and is distinctly prickly.

He is unhappy about the passengers Aldegrove has lost to Belfast Harbour and says that the 30-seater 360—which like all small aircraft that fly at low levels is susceptible to turbulence—is not as comfortable as passengers want these days.

He refutes the "convenience" argument advanced for the Harbour, saying that Belfast is accessible from Aldegrove in a little over half an hour by motorway.

He also refutes the suggestion that more people from the cities of Northern England and Scotland may now be travelling to the province because "a day's business in a day" would appear more easily achievable. He says that passengers from places like Liverpool (full return fare £92) have no real choice in flying to the province since they can now only go to Belfast Harbour: Aldegrove is served from Manchester.

Apart from being a modern airport, Aldegrove's main plus point is a central location in the province which is almost equally convenient for Belfast, Londonderry, South Down and the West.

The main services into Aldegrove are from London, operated in intense competition by British Midland (BMA) and British Airways. The strain began to tell on BA's shuttle profits this year when the airline dropped flights from nine to seven, the same number as BMA.

The price war (about £85 Apex and £130 full fare, with BMA £2 cheaper) lifted Aldegrove's usage to 1.68m passengers last year, a level that has been maintained with increasing cross-border usage.

Miss Sally Hewitt, head of BA's services, says that despite overcapacity on the route she is still pleased with performance. BA also flies to Manchester and Glasgow and although services have been hit by the BMA subsidiaries' flights to Belfast Harbour (Loganair also flies Edinburgh-Londonderry, incidentally), she says that there is a definite role and place for the second airport.

Will BA be quite so sanguine as Belfast Harbour airport develops, however? Aer Lingus has been having talks about a feeder service — probably operated by a small airline — between the Harbour and Dublin. It has an eye on the £250,000 of business Shorts spends in getting staff to Boeing in Seattle through London each year.

Meanwhile, Jersey European has applied to operate a service into the Harbour airport from the Stolport in London dockland, probably using a Dash 7 aircraft. This might be slower in the air than BA's 757s and BMA's DC9s, but there would be no trek to Heathrow as well as time saved at the Belfast end.

By then, the Harbour airport will probably look less spartan. It hopes to get money from the European Regional Development Fund to upgrade facilities, including an X-ray scanner to replace the hand-searching of luggage. It is unlikely that anything can improve on its 20-minute turnround time for aircraft or reduce the official 20-minute check-in time because in practice the airlines even hold aircraft for passengers stuck in the traffic.

The home-made flight information service will also stay. The cheapest commercial one offered to Mr Kernaghan would have cost £10,000. The Sinclair Spectrum, TV sets and cabling came to only £300. Like the airport, it does the job. Why would anyone need anything better?

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Wednesday December 4 1985

Sharp gain for Royal Bank of Canada

By Bernard Simon in Toronto

ROYAL BANK of Canada, the country's largest banking group, maintained the strong performance of other Canadian banks by lifting net income to C$131.9m (US$95.6m), or C$1.16 a share, in the three months to October 31, from C$106.2m, or 95 cents a share, a year earlier.

Earnings for the fiscal year ended October 31 rose by 6 per cent to C$488m, or C$4.28 a share. Year-end assets grew 9 per cent to C$96bn, reflecting growth in domestic personal and mortgage loans, and increased holdinga of government securities.

Fourth-quarter return on assets advanced from 0.48 per cent to 0.56 per cent, giving an average for the year of 0.53 per cent, virtually unchanged from 1984.

Weak demand for corporate credit pulled Royal's 1985 domestic earnings down by 8 per cent to C$331m, and the return on domestic assets fell by nine points to 0.56 per cent.

However, international income bounced back from depressed 1984 levels, rising from C$91m in fiscal 1984 to C$157m.

Mr Rowland Frazee, the chairman, ascribed the improvement to "strong growth" in fee income and higher interest receipts from borrowers in Latin America and the Caribbean.

Non-performing loans, net of loss provisions, fell in the past year from C$2.7bn to C$2.4bn. Domestic customers – mainly in the western Canadian property, oil service and forestry sectors – accounted for about half the total.

Loans to financially troubled customers renegotiated at concessional rates of interest jumped from C$74m to C$180m. Almost all these advances were to Canadian borrowers.

Semiconductor chief tells of plans to maintain market share

SGS survives the crisis with robust remedies

BY ALAN FRIEDMAN IN MILAN

"HOW are we coping with the crisis in micro-chips? I will tell you: with a lot of pain. It is really tough and we are suffering."

Mr Pasquale Pistorio, the energetic managing director of SGS, Italy's leading semiconductor company, is not a man to equivocate. The state-owned SGS (a part of the IRI-Stet holding group) is heading for a $15m to $20m loss this year on 1985 sales which should total just over $300m, an 8 per cent drop on last year.

The response? Mr Pistorio says he is working to prevent SGS's financial performance from deteriorating beyond that of its principal competitors and is trying to maintain market share during the crisis. "We will compress operating costs but we have a law here at SGS: we do not sacrifice any strategic programmes. We cannot cut research spending because at the end of the crisis we must be in a position to compete."

SGS, hit by an average 20 per cent fall in world demand for chips and savage price-cutting by competitors, has embarked upon a strategy of lay-offs, reductions in overheads and an increase in strategic investments and research and development.

"My sales are flat, but I am increasing R & D expenditure. I have added 120 people and now have 750 professional researchers [out of a total Italian SGS workforce of

Suffering – Pasquale Pistorio, managing director of SGS

4,850]. This year R & D will represent 14 per cent of sales, which is a Japanese kind of level," explains the ebullient Mr Pistorio, who arrived at SGS five years ago after 17 years working for Motorola.

Mr Pistorio's arrival at the Italian state-controlled chip maker caused quite a shake-up at the then lethargic SGS. With a combination of American-style sloganeering, constant cost-benefit analysis, tough rationalisation measures and gritty determination, Mr Pistorio proceeded to rewrite Italian industrial history. He transformed SGS into a lean and hungry chip maker which last year made its first profit – $10m – in a decade. The accolades came pouring in. Then the world market soured.

SGS stayed above the break-even level in the first half of this year, no small achievement as world overcapacity saw prices fall drastically. The 64k Eprom advanced memory chip, for example, last year sold for more than $3 and is now available for 80 cents.

One key strategic manoeuvre was to lay off assembly workers, an area where the Pistorio thinking paid off. Five years ago 80 per cent of the 5,000 assembly workers were based in Italy. Now they are almost entirely based in places such as Malta and Singapore. This has allowed SGS to lay off 1,300 overseas workers in the past year, something which would have been politically impossible in the Italian system.

In Italy it is less easy to reduce labour costs. But Mr Pistorio's men succeeded in negotiating temporary shutdowns of the 4,850 workers in Italy – two weeks in the first half of this year and three weeks last summer.

Since September the Italian workforce has been on a four-day week, and managers have been subjected to an unusual Pistorio technique – the enforced working holiday. "Since August," says Mr Pistorio with a broad grin on his face, "all managers have been on holiday every Friday and have spent 14 hours in the office every Friday."

How did this come about? Mr Pistorio spreads his hands and explains: "All our managers are kindly invited to come to work while they are on holiday. And they do."

As of this week the situation has become more serious. For this month and the first six months of 1986, the entire workforce will work only three weeks out of every month. The saving of what amounts to seven months of a 25 per cent cut in labour costs is considerable – around L3bn ($1.785m) in payroll costs each week and a total of L4bn when overheads are included. That represents a saving between now and next June of about L28bn.

Mr Pistorio, an enthusiastic Americanophile, says that "managing the crisis in Europe is much harder than it would be in the US, where we would simply lay off 1,000 people."

Instead, he must function in Italy's state industrial system. He reckons be will succeed, particularly because be is still forging ahead with "strategic projects." Examples of these, apart from R & D, are SGS's development of full productive capacity of the 6in wafer front-end, the state of the art in chip technology.

"I want to be on-stream even if it costs me millions of dollars," declares Mr Pistorio. "Anybody who has not mastered the 6in wafer within the next year will be at a tremendous disadvantage."

Another example is the Arizona-based SGS factory, which was scheduled for completion last July, with production in January 1986. Instead, the $110m Arizona venture is being slowed and the factory will be ready in the fourth quarter of next year.

"We are working down our costs and I expect we will be in loss until next June, then back in profit in the second half of 1966," the SGS managing director predicts. What happens if the global crisis continues beyond expectations? "If next year turns out like this one then we will see many dead bodies, but SGS will not be one of them. We are determined to stay in the broad range of products and we are determined to be profitable again."

Satisfied now that he has described SGS's strategy for coping with the crisis, Mr Pistorio assumes an almost religious pose and begins talking about "one of my favourite subjects, the Japanese.".

"I am one of the companies in the Western world which will emerge stronger from this crisis," he begins. "But let's not kid ourselves: we in Europe and the US are in an economic war with the Japanese electronics industry. The Japanese are out to control the world market in semi-conductors and through it the entire electronics business. This crisis is in large part a function of the war Japan is waging and the world overcapacity which is a result of the war."

Japan, the outspoken Mr Pistorio continues, will this year overtake the US microchip industry for the first time in terms of world market share – more than 45 per cent. The only response for a European company then is to "reconcile the medium-term requirements of a Western enterprise – a reasonable return on capital – with the long-term objectives being pursued by the Japanese – gaining market share and making strategic investments for the future."

Mr Pistorio says his costly launch in 1981 of a Munich-based SGS custom-made chip factory is one example. SGS sales in West Germany are up by 40 per cent this year in dollar terms while the market is depressed. This means that SGS sales in Europe will be 10 per cent higher in 1985, although down by 15 per cent in Asia and by 30 per cent in the US.

The "bottom line" for SGS, according to Mr Pistorio, is that without radical changes in the company's cost structure and key investments in research and strategic projects, "This company would have been shut down by now." SGS has not shut down. Instead, it is taking on the world crisis with one of the toughest managers Italian state industry has yet seen.

Deere profits fall to $30m

By Terry Dodsworth in New York

DEERE, the leading US farm-equipment manufacturer, suffered a severe squeeze on profits in its fiscal year to the end of October and is continuing to feel the effects of depressed conditions in the agricultural sector.

The company warned shareholders yesterday that the tough market conditions were likely to continue, putting operating results next year under considerable pressure.

Net income for the year amounted to $30.5m, or 45 cents a share, against $104.9m, or $1.55 in 1984, while sales fell by 8 per cent to $4.1bn from $4.4bn. In the fourth quarter, earnings dropped to $19.4m, or 29 cents a share, from $34.2m, or 51 cents, on sales of $1.1bn compared with $1.2bn in the same period of last year.

Mr Robert Hanson, chairman, said the "difficult and uncertain" conditions in farming suggested no likelihood of a near-term improvement in retail demand for farm equipment.

"The industry continues to be affected by high levels of dealer inventories, low capacity utilisation and intense price discounting," be said.

Deere's results would have been much worse without a strong contribution of $85.9m in net income from its finance, leasing and insurance subsidiaries, up from $82.8m in 1984.

In its manufacturing and marketing operations, the group plunged to pre-tax losses of $129.2m for the year because of the higher cost of production caused by the decline in capacity utilisation, coupled with heavy price discounting.

The group was also helped by inventory gains under its last in, first out (Lifo) accounting methods, resulting from the decline in its stocks during the year.

New orders fuel GHH profit surge

BY RUPERT CORNWELL IN BONN

EUROPE'S largest mechanical engineering group, Gutehoffnungshütte (GHH), yesterday reported a buoyant start to its current financial year, after achieving an adjusted net profit of DM 128m ($50.8m) for 1984-85, a DM 300m improvement on its dismal performance 12 months before.

The West German group announced a surge of 14.6 per cent in new orders in the first four months of the year beginning on July 1, largely because of a long-delayed pick-up in domestic business. Despite the increased value of the D-Mark, export orders were still at a high level.

GHH's turnround stems, above all, from the improvement at its previously troubled subsidiary, Maschinenfabrik-Augsburg-Nürnberg (MAN), with which it is due to merge next year as part of a group restructuring programme.

In all, GHH registered a profit of DM 503m for 1984-85, but this included the DM 375m booked by MAN for the sale earlier this year of its previous 50 per cent stake in engine manufacturer MTU to the Daimler-Benz car group.

GHH lifted total orders last year by 21 per cent to DM 14.98bn, due mainly to a jump in export business, which accounted for almost 53 per cent of the total against less than 48 per cent in 1983-84. Orders in hand on June 30 totalled DM 13.19bn.

Sales last year by the group, including MAN, advanced 15.1 per cent to DM 14.59bn, with the share of exports up to 50.5 per cent from 46.5 per cent. GHH, however, gave no figures for the growth of sales in the first four months of the 1985-86 financial year.

Belgian group signs accord with Sumitomo

By Paul Cheeseright in Brussels

SOCIÉTÉ GÉNÉRALE, the biggest of the Belgian industrial and financial-holding companies, has strengthened the international dimension of its business by signing a co-operation agreement with Sumitomo of Japan.

The agreement, Société Générale said yesterday, was designed to provide a framework for joint ventures and investment between units of the respective groups.

Société Générale is looking for ventures with Sumitomo in the non-ferrous metals sector, electronics and engineering, and finance and insurance. Both groups have units operating in these areas.

The link with Sumitomo fits Société Générale's programme of internationalisation, evident recently in joint ventures with Compagnie Générale d'Electricité de France and fund-raising on the European capital markets.

Remy Martin acquires Heidsieck

REMY MARTIN, one of France's leading cognac groups, has acquired for FFr 295m ($38.4m) control of the Charles Heidsieck champagne company, writes **Paul Betts** in Paris.

The acquisition of a 67.5 per cent stake in Charles Heidsieck is part of the cognac group's ongoing diversification policy designed to extend its operations in other wine-related quality businesses.

Remy Martin took control in 1984 of the Nicolas wine group, and before that it acquired the Krug champagne company.

After Krug, a luxury champagne brand, Remy Martin sought to extend its presence in the chamgagne market by buying a larger-volume producer such as Charles Heidsieck, which is none the less regarded as a quality brand.

Charles Heidsieck has annual sales of FFr 220m and markets 3.2m bottles a year of which 80 per cent is for export.

Although Remy Martin has been seeking to diversify from its basic cognac business, it has so far limited its diversification policy to wine-related ventures unlike some groups such as Moët-Hennessy

Lesieur's third quarter loss

By Our Financial Staff

LESIEUR, the French edible oils group which was forced to cut its dividend for 1984, reports a net attributable loss of FFr 5m ($650,000) for the third quarter of 1985, against a FFr 8m deficit a year earlier.

The result leaves nine-month attributable earnings of FFr 29m, down from the FFr 76m returned for the first nine months of 1984. Third-quarter sales totalled FFr 2.24bn, against FFr 2.33bn.

Sainsbury makes £60m debut

INVESTORS were offered a fresh delicacy for their shopping baskets yesterday when J. Sainsbury, the UK supermarket group, made its debut in the Eurobond market, writes **Maggie Urry** in London.

The issue of £60m, with a further £40m tap, is rated AA by Standard & Poor'a and the company claims to be the highest-rated food retailer in the world.

The name is not well known outside the UK, though traders said demand for the bonds was seen from abroad, helped by the rating. The funds will be used to repay short-term bank borrowings and will go towards the expansion of the store chain.

Terms for the seven-year issue were set at a 10⅞ per cent coupon and par issue price, and with fees of 1⅞ per cent Sainsbury's borrowing cost is only marginally over UK gilt-edged bond yields. The issue was trading around 98⅝ at the close.

Another Eurosterling deal, this one a floater, was launched for the Anglia Building Society by Morgan Guaranty. Terms for the £100m issue were slightly tighter than the last few building society issues but the bonds were quoted at a level profitable to co-managers of around 99.91.

The bonds will have a first coupon payable in April 1986 of 11¼ per cent, and thereafter the coupon will be reset every quarter at ⅛ per cent above London inter-bank offered rate (Libor). Fees total 19 basis points and the issue price is 100.05.

In the Eurodollar sector prices fell sharply yesterday with losses of ½ point typical. It was an unhappy day to launch issues but two appeared.

GMAC, the car sales financing arm of the General Motors group, is raising $200m through a seven-year, par-priced issue with a 9¾ per cent coupon. With fees of 1⅞ per cent the borrower's cost was about 33 basis points above US Treasury yields at launch. Dealers said that margin looked a bit tight given the market conditions and the bonds were trading just outside the fees.

A $100m, 12-year issue for Textron, the aerospace and consumer products company, met more criticism. The borrower has a A3/BBB+ rating which investors regard as low, particularly for a 12-year maturity with a call option from year nine. Lead manager Kidder Peabody set the terms at a 10⅜ per cent coupon and 99½ issue price. The bonds were bid just outside the 2¼ per cent fees.

The expected Samsung Electronics convertible issue appeared under the management of S.G. Warburg. The $20m, 15-year issue has a 5 per cent coupon and per-issue price. Investors have a put option after five years at 117 to give an 8 per cent yield.

The conversion price will be the mean of the average share price of the six days to tomorrow plus 30 per cent and the share price in October 1987, when it becomes possible to convert the bonds into the shares. There will be a minimum conversion price of 130 per cent of the initial share price and a maximum of 200 per cent. Investors cannot convert until October 1987 because, under current legislation, foreigners are not permitted to buy shares in South Korean companies. The regulations are being changed but, if they have not gone through by then, investors will have a put option at par. The shares closed the previous day at won 1,251.

The issue has fees of 2½ per cent and the bonds were trading above per.

The World Bank launched a zero-coupon bond issue in the D-Mark market to a positive response. The 30-year issue has a nominal value of DM 1bn and the issue price is 13. Deutsche Bank led the deal.

A private placement raising DM 150m was announced for the Inter-American Development Bank by Bayerische Vereinsbank. The 10-year bonds have a 7⅛ per cent coupon and 99¾ issue price. They were trading around 98⅝.

In the Swiss franc foreign bond market Crédit Suisse slightly raised the yield for the European Investment Bank's SFr 200m 10-year issue by setting an issue price of 99⅝.

International bond service, Page 20

Italian bank arranges $200m facility

By Alexander Nicoll in London

BANCO di Napoli has arranged a $200m Eurocommercial paper programme with Citicorp Investment Bank as sole dealer and is expected to issue paper before the end of the year.

The programme, which has no back-up facility, enables the borrower to issue seven-day to 355-day notes in dollars or European currency units. Banco di Napoli is believed to be the first Italian bank to arrange such a deal.

Separately, Safeway Stores of the US is understood to have appointed dealers for a $150m Eurocommercial paper programme, although it is unlikely to be finalised until next year.

S&W Berisford, the UK commodity trading group, has increased a facility which it first sought in August from $150m to $210m. The credit was unusual in that it was arranged by the borrower, without a bank as lead manager.

BHF Bank bond average

Dec 3		Previous
104.414		104.481
High	1985	Low
105.603		99.840

Sweden to redeem $750m perpetual floater

BY PETER MONTAGNON AND KEVIN DONE IN STOCKHOLM

SWEDEN is to redeem the $750m perpetual floating rate note it arranged in the Euromarkets through Morgan Guaranty in June last year.

The deal, which was the first undated issue to be offered by a sovereign borrower, is now regarded as too expensive, according to Mr Peter Engstrom, director of the National Debt Office.

It carries a margin of ¼ per cent over the London inter-bank offered rate (Libor) – much more than Sweden would pay on even a long-dated floating rate issue.

Speaking here late last night, Mr Engstrom said Sweden – which is following a policy of no net increase in state borrowing abroad – had no specific plans to replace the issue with a new borrowing.

"We don't need to replace it with anything in particular. We take a portfolio average. We see the gross figure we have to refinance and we look at the various market opportunities." The issue will be repaid in January. Mr Engstrom also said Sweden had repaid about SKr 35bn equivalent of other foreign debt early this year, and refinanced it at lower costs.

Among deals repaid are two large sterling credits, one for £500m arranged by Samuel Montagu, and the other for £150m, lent by National Westminster Bank.

It had proved impractical to refinance these credits in sterling because of Bank of England regulations limiting individual issues in the floating rate note market to £100m, he said. Refinancing in the sterling credit market would not have generated worthwhile savings.

Sweden had been able to make the bulk of the repayments at a time when the dollar was much stronger against the UK currency, thereby generating substantial foreign exchange savings, he said.

The dollar now accounts for just under two thirds of Sweden's SKr 137bn foreign debt, while after the repayment, sterling has a share of only 5 per cent to 6 per cent.

INTL. COMPANIES & FINANCE

Preussag profits down in quarter

By Jonathan Carr in Frankfurt

PREUSSAG, the diversified West German industrial concern, yesterday reported slightly lower profits in the first nine months on consolidated domestic group turnover 8.9 per cent down at DM 3.2bn ($1.28bn).

Preussag noted in particular the fall in zinc prices and general metals trading problems which depressed the results of its subsidiary, Amalgamated Metal Corporation. These difficulties would affect profits in the last quarter too, the company said.

Preussag reported that its other divisions – including oil, chemicals, coal and transport – increased profits. Even the depressed construction sector was showing improved results.

In 1984 Preussag raised world group net profit to DM 155m from DM 136m, and boosted its dividend from 16 per cent, to 18 per cent.

Wella lifts nine-month earnings 10%

By Our Frankfurt Correspondent

WELLA, the West German hair care company, raised world group pre-tax profits by 10.3 per cent to DM 103.7m ($41.5m) in the first nine months and expects the buoyant trend to continue for the rest of the year.

Profit of the parent company, which went public in 1983 with an issue of non-voting preference shares, rose by 15.4 per cent to DM 23.8m. Last year the parent made after-tax profit of DM 20m and raised its dividend to 18 from 16 per cent.

Group sales revenue in the first nine months was up by 10.3 per cent to DM 1.3bn, and group investment jumped by more than one quarter to DM 36m.

Wella, whose ordinary capital remains in family ownership, says the investment boost underlines its confidence of further sales growth well beyond 1985.

Court setback for Texaco

By William Hall in New York

TEXACO, the US oil group, has failed in its attempt to delay this week's Houston court hearing on a $10.5bn damages award against the company.

Texas state judge Solomon Casseb denied Texaco's request for a week's delay in the hearing scheduled for tomorrow. Texaco had been seeking a delay so that it could brief a newly engaged law firm in its effort to overturn the largest civil damages award in US history.

At the hearing the judge has the option of affirming, reducing or eliminating the jury's November 19 verdict against Texaco, which found that the oil company had improperly interfered with Pennzoil's planned merger with Getty Oil.

Litton suffers 35% decline

By Our Financial Staff

LITTON Industries, the US electronics, office and industrial products and shipbuilding conglomerate, suffered a fall of more than 35 per cent in first-quarter profits to $43.67m.

The company blamed continued softness in energy markets served by its resource exploration services division and intense competitive pricing pressures in the consumer microwave oven business.

The decline in earnings per share, from $1.59 to $1.56, was reduced because of the buyback of 15m shares. Sales for the three months were down at $1.1bn, from $1.17bn.

For the whole of 1984-85, Litton's profits were 4.5 per cent lower at $299m, or $7.27 a share.

Beatrix Mines' first dividend

By Kenneth Marston, Mining Editor in London

BEATRIX Mines, South African Gencor group's young gold-mining company, has declared a first dividend of 15 cents (5.4 US cents) earlier than expected.

The company derives its income from the Beatrix mine being worked by Buffelsfontein, which itself is lifting its interim dividend for the year to next June to R5 from R3.75 a year ago when there was a subsequent final of R4.40.

Among the final dividends announced by Gencor's gold producers, St Helena shows up particularly well with a payment of R2.90 to make a 1985 total of R4.50 against R3.20.

Veteran West Rand Consolidated is raising its final to 80 cents to make a year's total of R1.20

US boost for Aegon revenues

BY LAURA RAUN IN AMSTERDAM

AEGON, the second largest Dutch insurance company, lifted its earnings by a comfortable 13 per cent to Fl 266m ($94m) in the first nine months as accident and health business contributed more to profits.

The company repeated its forecast that net income per share for all of 1985 would exceed last year's Fl 8.53, despite a larger number of shares outstanding. A recent share offering in the US plus stock dividends and conversions increased the amount of common stock by 12 per cent.

Revenues edged up 5 per cent to Fl 8.74bn in the first three quarters, largely due to buoyant premiums from life, accident and health insurance in the U.S. Life, accident and health businesses account for 80 per cent of Aegon's total turnover. The US contributes 40 per cent of turnover.

Fresh equity and debt expanded the balance sheet in the third quarter. The US share issue raised Fl 219m while a seven-year 10¼ per cent Eurodollar bond raised Fl 318m.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for December 3.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex 10⅛ 92	100	101	101½	−0⅜	+0½	10.10
Amex Credit 10⅞ 90	100	103½	104	−0½	−0½	9.76
Atlant Richfld 10⅞ 00	250	97⅝	98⅛	−0¾	−0¼	10.52
Australia Com 11 95	200	105⅞	106⅜	−0¾	+0½	9.95
Australia Com 11¼ 00	100	106⅛	106⅝	−0½	−0⅛	10.36
BP Capital 11⅛ 92	150	104⅞	105⅜	−0⅜	−0¼	9.96
Campbell Soup 10½ 95	100	103¼	103¾	−0⅝	−0½	9.91
Canada 11½ 90	500	107	107½	−0¼	−0⅜	9.34
Canadian Pac 10¾ 93	100	104⅛	104⅝	−0⅜	+0¼	9.86
Canadian Pac 12½ 99	75	108⅞	109⅜	−0⅜	−0¼	11.17
CEPME 10⅞ 91	100	101	101½	−0½	−0⅛	9.83
Chevron U.S.A. 12¼ 89	600	104⅝	105⅛	−0⅛	−0¾	10.62
Citicorp 10 88	200	101½	102	−0⅜	−0¼	9.21
Citicorp 10⅜ 95	200	99½	100	−0⅜	0	10.65
Coca Cola 11⅞ 91	100	106⅞	107⅜	−0½	−0¾	10.07
Denmark Kingdom 11¼ 89	100	104¼	104¾	−0⅜	+0⅛	9.60
Denmark Kingdom 11½ 90	100	105⅝	106⅛	−0⅜	+0⅛	9.77
Denmark Kingdom 11½ 92	100	105¾	106¼	−0½	0	10.14
E.D.F. 10 95	225	98⅞	99⅜	−0½	0	10.13
E.E.C. 9⅝ 90	350	99⅝	100⅛	−0⅝	−0⅜	9.63
E.E.C. 11⅛ 90	100	105⅛	105⅝	−0½	−0½	9.46
E.I.B. 12 95	200	110	110½	−0⅝	+0⅛	10.29
Eli Lilly 10¼ 92	150	102⅞	103⅜	−0⅜	0	9.69
Export Dev Corp 10 90	100	101¾	102¼	−0⅜	−0⅜	9.40
Export Dev Corp 12 89	100	108½	109	0	+0½	9.22
Fed Dep Stores 10⅛ 95	100	99⅞	100⅜	−0½	+0⅝	10.08
Ford Motor Cred 11⅜ 90	100	103½	104	−0½	−0⅜	10.21
Ford Motor Cred 12 95	100	105	105½	−0⅜	−0¼	10.87
Gen Elec Credit 10⅞ 00	200	101⅞	102⅜	−0¼	−0⅛	9.95
GMAC 10¼ 99	200	101⅞	102⅜	−0⅜	−0¼	9.47
GMAC 10¼ 92	250	101½	102	−0¼	−0¼	9.89
IADB 10½ 95	150	101¾	102¼	−0⅞	−0¼	10.15
IBM Credit 10⅜ 2000	300	† 102¼	102¾	−0½	−0¾	10.03
Kellogg Company 10⅞ 90	100	103⅜	103⅞	−0⅜	−0½	9.75
Kellogg Company 11¼ 92	100	105	105½	−0⅜	−1	10.05
L.T.C.B. 12⅛ 91	100	112⅛	112⅝	−0⅜	+0¼	9.99
Macy Cred Corp 15	100	† 102¼	102¾	−0½	−0⅛	11.28
Mitsui Trust 11⅛ 90	100	† 105	105½	−0¼	0	10.10
Nippon Cred Bk 10⅜ 95	150	101⅝	102⅛	−0⅛	0	10.31
Pillsbury Co. 10¼ 93	100	99⅛	99⅝	−0½	+0⅛	10.40
Pru Realty secs 12⅛ 95	546	109¾	110¼	−0⅛	+1	10.37
Qantas Airways 10⅜ 95	140	102¼	102¾	−0⅝	+0⅝	9.94
Quebec Hydro 11½ 92	100	107⅜	107⅞	−0⅜	−0⅛	9.94
Queensland Govt 10¼ 95	100	100¼	100¾	−0½	+0½	10.15
Ralston Purina 11⅛ 95	150	107	107½	0	+1	10.48
Ralston Purina 12¼ 89	100	108⅝	109⅛	−0¼	−0¼	9.06
Saskatchewan 10¾ 92	100	104⅛	104⅝	−0½	−0¼	9.78
Saskatchewan 11⅞ 89	100	107½	108	−0⅜	−0⅛	9.83
Statoil 10 90	170	101⅛	101⅝	−0½	−0⅜	9.60
S Wales Trsy 11¼ 90	150	106⅜	106⅞	−0½	−0⅜	9.70
Swed Exp Cred 10 92	100	100⅝	101⅛	−0½	−0⅜	9.79
Swed Exp Cred 12¾ 89XW	100	107¾	108¼	−0⅜	−0⅝	10.06
Sweden Kingdom 10⅛ 90	200	104¼	104¾	−0⅜	−0¼	9.55
Sweden Kingdom 11½ 89	200	106½	107	−0½	0	9.40
Sweden Kingdom 11¼ 94	100	108⅛	108⅝	−0⅛	−0⅛	10.26
Tenneco Corp 10¾ 95	150	101⅛	101⅝	−0½	−0⅜	10.49
Texaco Capital 10 95	300	†* 86	88	0	−0½	12.35
United Tech Fin 10⅝ 95	100	101⅜	101⅞	−0⅜	+0⅛	10.34
Victorian Rep 11⅜ 92	150	105⅛	105⅝	−0⅞	−0⅜	10.19
World Bank 10⅛ 95	300	101⅜	101⅞	−0⅛	+0½	9.84
World Bank 12⅞ 94	200	114⅝	115⅛	−0⅝	+0⅛	10.21

Average price change On day −0⅜ on week −0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev Bank 8 94	200	† 106	106½	+0¼	+0½	7.02
Austria Republic 7⅜ 94	300	† 104¼	104¾	+0¼	+0¼	6.69
Baxter Travenol 7¼ 94	200	† 101¾	102¼	0	+0¼	6.92
Copenhagen 7⅞ 95	150	† 101¾	102¼	+0⅝	+1¾	7.07
Credit National 8⅛ 94	200	† 106¼	106¾	+0¼	+0¼	7.05
E.I.B. 7¼ 94	300	† 102	102½	+0⅛	+0¾	6.91
Escom 8 92	150	† 93¾	94¼	+0⅛	+0½	9.28
Ex-Im Bk Korea 7⅛ 90	100	† 100	100½	0	0	7.54
Ferrovie Dello Stato 8 91	100	† 104	104½	0	+0½	7.00
Finland Republic 7 92	200	† 100¾	101¼	−0⅛	+0⅛	6.79
Gould Int Fin 7⅜ 91	100	† 102¼	102¾	+0¼	+0¼	7.04
Ireland 6⅞ 92	150	† 104	104½	0	−0⅛	7.26
Japan Fin Corp 7⅛ 91	100	† 103¼	103¾	−0¼	−0¼	6.84
Mitsubishi Hvy 3½ 89WW	300	† 159	161	+1	−1⅛	−10.57
Mitsubishi Hvy 3½ 89XW	300	† 91	91½	0	−0¼	6.50
Mitsubishi Met 3⅜ 89WW	100	† 104½	105½	−0¼	−1¼	1.83
Mitsubishi Met 3⅜ 89XW	100	† 88¾	89¼	−0⅛	−0½	6.29
Quebec Hydro 7⅛ 95	200	† 102½	103	+0⅛	+0¾	6.72
Renfe 7¼ 95	100	† 102½	103	−0¼	−0⅛	7.33
Soc Cent Nuclear 7¼ 95	150	† 101	101½	−0⅝	−0½	7.06
Societe Cent Nuclear 8 91	100	† 105	105½	−0⅛	−0⅛	6.82
Sth African Tran 7⅝ 92	100	† 91¾	92¼	−0⅛	−0⅛	9.23
World Bank 7 95	800	† 100½	101	−0⅛	+0¼	6.88
World Bank 7¼ 89	100	† 103	103½	+0⅛	+0¼	6.58

Average price change On day +0⅛ on week +0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Avon Cap Corp 5⅜ 94	130	† 101	101¼	0	0	5.22
Brit land Comp 6½ 99	75	† 104	104½	−0⅜	0	6.04
Council of Europe 6 92	120	† 102	102¼	−1	−0¾	5.62
Creditanstalt 5½ 94	100	† 99¼	99½	−0½	−0¾	5.59
Deutsche Bk Fin 5⅜ 95	100	† 103	103¼	0	+0½	4.94
E.I.B. 5⅛ 94	120	† 102	102¼	−0¼	−0¼	5.66
Gen Occidentale 4½ 94	80	† 102¾	103	−0½	−0½	4.11
Glendale Fed.S&L 5½ 95	100	† 98	98¼	+0¼	+0¼	5.75
Ind Fund Fin 5¾ 94	40	†* 100½	100¾	0	0	5.66
Int-Am Dev Bk 6⅛ 94	120	† 102¾	102	−0½	+0½	5.70
N Zealand steel 5⅞ 96	70	† 100	100¼	−0½	−0½	5.73
Oberos Ktwk 5⅜ 95	100	† 100½	100¾	+0¾	0	5.28
Olivetti Ind 5½ 95	100	† 101	101¼	+0¼	+0¾	5.34
Pepsico 5¼ 95	130	† 101	101¼	0	−0¼	5.09
Ralston Purina 5⅜ 94	125	† 101¼	101½	−0¾	−0½	5.18
Santos Finance Ltd 6 94	130	† 100½	100¾	+0¾	+0¼	5.91
Tokyo Elec Pwr 5½ 03	120	† 101	101¼	+0¼	0	5.30
Tokyo Metropolis 5¼ 94	90	† 101½	101¾	−0½	+0¼	5.02
World Bk 5¾ 94	150	† 102	102¼	+0½	+0½	5.45

Average price change On day −0⅛ on week 0

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Caisse Nat Tele. 6¼ 92	25	97¾	98¼	−0¼	−0⅜	6.62
Gdyr Tr & Rubber 7⅛ 95	25	101¼	101¾	−0⅛	0	6.90
Mort Bk Denmark 7 92	10	100⅜	100⅞	−0⅛	+0¼	6.87
New Brunswick 7⅛ 95	10	101⅛	101⅝	+0⅛	+0⅝	6.92
Swed Exp Cred Zero 90	14	72⅞	73⅜	0	+0⅛	6.71

Average price change On day −0⅛ on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Barclays Aust 12⅝ 90AS	50	93⅜	94⅜	0	+0⅞	14.48
Creditanstalt 12⅞ 90AS	50	98⅝	99⅝	−1⅜	0	13.19
Pepsico Cap. Res. 13 90AS	50	102½	103½	−0⅛	+0⅜	12.11
Swed Export Cred 13 88AS	40	96⅜	97⅜	+0⅜	+1¾	14.37
Amex 10¾ 90 CS	50	101⅛	102⅛	−0⅛	+0⅛	10.18
Canadian Pac 10⅛ 90 CS	75	99⅞	100⅜	−0⅛	+0¾	10.22
CIBC 10¾ 90 CS	75	† 103½	104	0	+0⅜	9.72
Genstar Fin 11¾ 95 CS	75	101⅝	102⅛	−0⅛	+0⅛	11.39
Montreal 11½ 95 CS	75	104⅞	105⅜	−0¼	+0⅛	10.59
Sears Acc. Co 10⅛ 92CS	75	† 99⅛	99⅝	+0¼	+1⅛	10.74
Winnipeg City 10⅝ 90CS	50	103¼	103¾	−0⅛	+0¼	9.82
Chrysler Fin Corp 17 90NS	65	92½	94	+0¼	+0¾	19.20
K.O.P. 16¾ 91 NS	50	92	93½	+0½	+2¼	18.42
Kredietbank Lux 17 88 NS	70	100⅜	101⅜	0	0	16.51
B.N.P. 8⅞ 95 ECU	75	98½	99¼	0	0	9.04
IBM Wld Trade 8¾ 90ECU	150	101¼	102	+0⅛	+0¼	7.89
Sec Pac Aust 8¾ 90 ECU	100	99⅝	99⅞	+0⅛	+0⅛	9.00
Honda Motor WW 3⅞ 90FL	100	102⅞	103⅜	0	−0⅛	3.08
Honda Motor XW 3⅞ 90FL	100	89	89½	−0¼	+0⅛	6.84
Thyssen 7¼ 90 FL	50	103½	104	+0⅛	+0½	6.30
Weraldhave 7⅛ 90 FL	75	101½	102	0	0	7.03
Wessanen 6¾ 90 FL	50	99½	100	0	+0⅛	6.88
Mobil Corp. 11⅛ 90 FF	500	101¾	102¼	−0¼	−1⅜	10.55
Australia Comm 11 92 £	40	100⅛	100⅝	−0⅛	+0⅜	10.88
E.I.B. 11⅛ 93 £	50	100⅛	100⅝	−0¼	+0¼	11.02
GMAC UK Fin 10½ 90 £	30	99	99½	−0⅛	+0¼	10.86
Imp Chem Inds 11¼ 95 £	75	100⅜	100⅞	−0⅛	+0⅛	11.13
Imp Chem Inds 10¾ 92 £	75	98⅛	98⅝	−0¼	+0¼	11.08
Mcdonalds 10¾ 90 £	40	100⅞	101⅜	−0⅛	+0⅛	10.59
Mitsubishi Fin HK 11 90 £	50	100	100½	−0⅛	+0¼	10.88
NSW. Treasury 10⅝ 92 £	50	97⅛	97⅝	−0¼	−0⅛	11.19
Privatbanken 11¼ 92 £	20	100⅜	100⅞	−0⅛	−0⅛	11.70
Rank Xerox 11 92 £	40	98	98½	−0⅜	+0¼	11.37
Royal Ind 10¾ 92 £	60	97½	98	−0⅜	+0⅛	11.22
Ster Drug Cap 10⅞ 90 £	30	100¼	100¾	−0⅛	+0¼	10.69
Tricentrol XW 11 92 £	35	95½	96	−0⅜	−0¼	11.94
Tsthouse Forte 11⅛ 90£	50	99¾	100¼	−0⅛	+0¼	11.08
World Bank 11¼ 95 £	100	101	101½	+0⅛	+0¼	11.01
C.O.E. 8⅞ 95 LF	600	99⅜	100⅛	0	−0¼	8.91
Nat Lux Alum 10½ 92 LF	600	103½	104½	−0⅛	−0⅛	9.85

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Abbey National 5 2000 £	0	99⅜	99⅝	15/1	11⅜	11.43
BankAmerica O/S 5¼ 96	0⅛	99⅝	99⅞	30/12	8⅛	8.15
Bankers Trust 5 2000	0	99⅞	100⅛	11/12	8.44	8.44
B.F.C.E. 5¼ 98	0⅛	100⅛	100⅜	13/12	8¾	8.73
B.N.P. 5¼ 95	0	101¼	101½	10/1	5¼	5.18
B.N.P. 5¼ 95 (July)	0¼	99⅞	100⅛	22/1	8¼	8.25
B.N.P. 5¼ 99	0⅛	100	100¼	5/6	5¼	5.24
Britannia 5 93	0⅛	99¾	100	8/1	5	5.01
C.C.F. 5¼ 97	0	99½	99¾	28/10	8.19	8.22
Chase Man'tn 5¼ 2009	0⅛	99⅞	100⅛	5/12	8.44	8.44
Citicorp 5 2035	0	99¼	99½	27/11	5	5.03
Credit Lyonnais 5¼ 95	0⅛	100⅝	100⅞	11/10	9.69	9.62
Credit Lyonnais 5 00	0	100	100½	10/1	5	4.98
E.E.C. 5 90	0	99⅝	99⅞	8/1	5.06	5.06
E.N.E.L. 5 00	0⅛	100	100¼	1/3	5	4.99
Ireland 5¼ 97	0	99⅞	100⅛	20/2	8.44	8.44
Lloyds Bank Perp	0¼	100	100¼	9/12	8	7.98
Man-Hanover 5 97	0	99⅛	99⅜	22/11	5	5.04
Midland Bank Perp 5	0¼	100	100½	19/12	8⅛	8.10
Nat West Perp A 5¼ S	0¼	100	100¼	9/1	8¼	8.24
Nat West Perp B 5¼ S	0¼	100⅛	100⅜	10/2	8.91	8.89
Royal Bk Scotland 5 Perp	0¼	99¾	100	12/12	5	5.01
Roy Bk Scot 5¼ 2005 £	0	99⅛	99⅜	1/11	11.69	11.79
Societe Generale 5¼ 97	0	100⅛	100⅜	18/3	5¼	5.24
United Kingdom 5 93	0	99⅞	100⅛	7/7	5	5.00

Average price change On day 0 on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 89	4/84	1050.64	123	124	−1¾	6.96
Comcast 7 2000	12/85	22.875	† 107½	108½	−0½	34.27
Fanuc 3¾ 98	1/84	7032.3	106⅜	107⅜	−1¼	63.72
Fuji Hvy Inds 3 2000	8/86	678	93⅞	94⅞	−1⅝	−0.77
Fujitsu 3 99	5/84	1320.9	96¼	97¼	−2½	12.54
Kumagai Gumi 3½ 2000	3/85	600	108⅜	109⅝	−5¾	10.56
Marui 3½ 99	7/84	1162	151	152	−0⅞	−0.68
Mitsubishi Bank 2⅞ 00	8/85	1768	98½	99½	−0½	−0.61
Mitsubishi Elec 2⅞ 00	3/85	422	101⅞	102⅞	−1⅜	−0.16
Murata 3½ 2000	7/84	2398	118⅛	119⅜	−0⅜	17.32
Nippon Elec 2⅞ 2000	1/85	1395	116⅝	117⅝	−0⅜	55.89
Nippon Oil Co 3 2000	5/85	823	104⅜	105⅜	−2⅜	−2.17
Oki Elec Ind 3½ 99	10/84	805	105½	106¾	−3	−3.67
Sekisui House 3 89	6/84	612	159⅛	160⅝	−0¾	2.40
Sumitomo Bank 2¾ 2000	8/85	2142	93⅞	94⅞	−0⅜	5.73
Sumitomo Corp 2⅞ 99	5/84	583	131½	132¾	−0¾	0.64
Taiyo Yuden 3¼ 2000	3/85	1078	† 103	105	−2	−4.33
Takeda Riken 3⅜ 2000	10/84	7663	† 99	101	−1	13.97
Tokyo Sanyo Elec 3½ 99	12/84	772	99⅝	100⅞	−1⅝	1.74
Toshiba Ceramics 3 2000	4/85	1734.2	97⅛	98⅜	−1½	2.02
Nippon Oil Co 2⅞ 92 SF	3/84	1052	† 103½	104	+1⅜	24.02
Nippon Shinpan Co 2 92 SF	5/84	801	† 111½	111¾	+0½	15.90
Asics 5 92 DM	12/83	530	108	109	−0⅞	10.80
Renown 3¼ 90 DM	2/85	675	† 105½	106½	−0¾	−4.52
Sun Realty 6¼ 92 DM	2/83	338	† 372	373	−0½	−3.39

* No information available-previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week – Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. date – Date next coupon becomes effective. Spread – Margin above six-month offered rate (†† three month; § above mean rate) for U.S. dollars. C.cpn. – current coupon. Cu. yld – current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day – Change on day. Cnv. date – First date for conversion into shares. Cnv. price – Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem – Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

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INTERNATIONAL COMPANIES and FINANCE

Chris Sherwell on the end of self-regulation for the Singapore Stock Exchange

Chastened brokers agree to toe the line

SINGAPORE'S MORE respected stockbroking firms yesterday emerged bruised and somewhat chastened from the crisis talks which followed the suspension of stock market trading on Sunday.

"There are some bloody heads," one leading broker said, after reluctantly agreeing to go along with a package to help other firms threatened by self-incurred defaults on forward share transactions.

They had been persuaded, after heated wrangling which lasted all day Monday and went right through the night, to support the "lifeboat" because the whole stockbroking industry was in jeopardy after the recent collapse of Pan-Electric Industries, a quoted marine salvage, hotel and property group.

But a crucial additional factor was extraordinary pressure from the Monetary Authority of Singapore (MAS), the powerful regulatory agency for the country's financial sector. As one banker pointed out: "The irony of all this is that it is the good boys, who refuse to get involved in potentially dangerous share transactions, who have had their arms twisted to help the naughty boys."

From all accounts, emotions became very heated among the brokers, who were effectively shut in a room and told to agree. Once an accord was in place, agreement also went ahead with the big four local banks on a S$180m (US$84.4m) standby credit for the Stock Exchange of Singapore, which the 24 broking firms would in turn guarantee.

The agreement was followed yesterday by consultation between the MAS and scores of foreign banks which have lent to local brokers. The foreign bankers were shown the agreement which had been reached, asked if they had any doubts about the industry's stability, and told there was no need for panicky action—such as further cuts in credit lines, which have already been curtailed in many cases.

The key actor in this drama, as in the 11 days of abortive rescue talks before Pan-Electric was placed in receivership, was Mr Joe Pillay, managing director of the MAS. Though a civil servant rather than a politician, he is a man of great authority and influence

At a press conference last night, he insisted that the agreement was aimed at strengthening the stockbroking industry and not at propping up the market or rescuing insolvent broking firms.

More importantly, Mr Pillay acknowledged that a two-pronged set of reforms—from the Government, in the form of amendments to the Securities Industries Act, and from the Stock Exchange itself—would mark the end of self-regulation for the local stock market.

If the battered brokers and exhausted bankers looked relieved last night, the respite may be temporary. Technical details of their deal must still be settled today in time for a resumption of trading tomorrow. The line-up of the Stock Exchange committee is also bound to change, although probably later.

Whether the Kuala Lumpur Stock Exchange follows Singapore's plan remains an open question. If it does not, tomorrow could be even more chaotic than is already anticipated as a result of expected selling pressures. The survival of the traditional link between the two will also be at risk.

Asked yesterday whether the whole affair has damaged Singapore's status as an international financial centre, Mr Pillay admitted it would be misleading to say it had had no impact. "But that is why we've been working so hard. We hope that any damage to our status will be minimised."

Dunlop Olympic buys glove groups

By Tony Jackson

DUNLOP OLYMPIC, the Australian industrial group, is to acquire four companies making and distributing latex gloves. The purchase price is undisclosed, but will be partly financed by a A$55.35m (US$37.5m) share placing at A$2.25 per share, with the remainder to be paid in cash.

The companies being acquired are Lamprecht, a small West German manufacturer of neoprene industrial gloves; Bioser, a French distributor of latex gloves and medical disposables; Kelga, a Malaysian maker of household and industrial gloves; and Pharmaseal, a US manufacturer of surgeons' gloves and medical kits with factories in Arizona and Mexico.

The acquisitions will expand the group's Ansell International division, claimed already to be the world's biggest supplier of household and medical examination gloves, and one of the biggest suppliers of surgeons' gloves.

Dunlop said the acquisitions would expand Ansell's output of medical examination gloves by 20 per cent, to 740m pairs per year, while surgeon's glove output would rise by 42 per cent to 113m pairs.

Dunlop said it expected dividends in the current year to be at least maintained on the new capital, which will amount to an extra 6.8 per cent.

First-half earnings at NZFP down 16.4%

BY SANDY SOUTHON-PERRY IN WELLINGTON

HIGH INTEREST rates, increased in government charges, a strong New Zealand dollar and industrial troubles were blamed for a 16.4 per cent drop in half-year net earnings of New Zealand Forest Products.

For the six months to September, the company reported group profits after tax of NZ$44.52m (US$25.54m). Full-year earnings expected to hold up better but will be below last year's record of NZ$110.22m.

High interest charges pushed up the cost of funding in the half year, and this was reflected in a 34 per cent fall in the group's share of profits from associated companies to NZ$9.38m. An increase in other costs was reflected in the pre-tax profit figure of NZ$38.9m, down 29 per cent, despite a 13 per cent rise in sales to NZ$588.17m.

Sales in New Zealand were up 17 per cent to NZ$60.86m and in Australia rose by 39 per cent to NZ$26.8m, but exports fell by 23 per cent.

Earnings were 13.5 cents per ordinary share, and the company will pay a ninterim dividend of 6 cents a share on capital expanded by a recent one-for-five scrip issue.

Mr Lynn Papps, the chairman, said the closure of a board mill at Whakatane had been made necessary by adverse exchange rates and increased competition in traditional markets, making it impossible to retain export markets.

● Brierley Investments said yesterday it had placed 15m shares at A$5.20 with Australian institutional investors to raise funds for international expansion, Reuter reports from Wellington.

The shares were placed on Monday at a discount of 8.4 per cent on its New Zealand closing price of NZ$6.85.

LTA blames Australian veto for interim setback

BY JIM JONES IN JOHANNESBURG

LTA, one of South Africa's leading civil engineering companies, has blamed the Australian Government for a sharp decline in interim turnover and profits.

Turnover fell to R584m ($210.5m) in the six months to September from R609m in the corresponding period of 1984. Pre-tax profits fell to R1.72m from R6.34m. Sales totalled R1.14bn in the year to March and pre-tax profits reached R8.20m.

Dr Zach de Beer, the chairman, said that LTA suffered a major setback in Australia where the government decided not to award federal contracts to South African-controlled companies.

Two contracts which were to be awarded to LTA were put up for re-tender and LTA was not permitted to tender for them. Dr de Beer added that LTA would withdraw from Australia as soon as it has completed existing contracts.

Within South Africa the company has suffered from the decline in construction activity. Work volumes have fallen and margins have been sharply reduced.

A R5m provision has been made against possible contract losses and this has led the company into a R4.75m attributable loss for the half year against profits of R3.05m. An interim dividend has again not been declared.

The General Electric Company plc.

Interim Report

1. The unaudited results for the six months ended 30th September 1985 are:

	6 months to 30th Sept. 1985 £ million	6 months to 30th Sept. 1984 £ million	Year to 31st March 1985 £ million
Profit before taxation	289	332	725
Estimated taxation	109	141	299
	180	191	426
Minority Interests	4	9	19
	176	182	407
Earnings per share	6.6p	6.6p	14.9p

2. The directors have declared an interim dividend on the Ordinary Shares of 1.40p (1984, 1.35p) per share payable on 29th March 1986 to shareholders on the register at the close of business on 13th February 1986. The cost of the interim dividend is £37 million (1984, £37 million).

3. As stated by the Chairman at the Annual General Meeting in September, the results for the first four months of the current financial year were down on the previous year, a trend which continued during August and September.

Major items involved were:-

(a) a fall of £14 million in the profits of the Exchange and Transmission group. So far as Transmission is concerned, the work load is still declining, but Exchange division is expected to recover in the second half through the increasing rate of delivery of System X;

(b) the profits of Canadian Marconi Company were reduced by Canadian $22 million as a result of a drop in the order book, which is beginning to show signs of improving;

(c) a reduction of £16 million in the results of Marconi Secure Radio, GEC McMichael and the Switchgear businesses. In the case of Marconi Secure Radio, a substantial overseas order, on which considerable expenditure had been incurred, was not implemented because of a failure to establish acceptable credit terms. Abortive expenditures were also borne in GEC McMichael. The Switchgear and associated businesses suffered further from the difficulties which were reported at the end of last year and from a continuing low demand. In all of these units substantial costs are being incurred in the process of reorganisation;

(d) sharply increased expenditure on research and development, particularly in microcircuitry and opto-electronic devices and in their applications;

(e) movements in exchange rates reduced the sterling value of the overseas activities by £11 million as against the prevailing rates at 30th September, 1984. There was also a reduction of £10 million in gains arising from the Company's holdings of foreign currencies.

4. Principal Activities

	Profit before Tax 1985 £m	Profit before Tax 1984 £m	Turnover 1985 £m	Turnover 1984 £m
Electronic Systems and Components	77	108	877	864
Telecommunications and Business Systems	33	40	352	366
Automation and Control	20	19	230	215
Medical Equipment	9	14	199	230
Power Generation	29	26	303	297
Electrical Equipment	19	19	377	351
Consumer Products	14	11	154	135
Distribution and Trading	6	6	108	111
	207	243	2,600	2,569
Associated Companies	4	11	146	179
Activities sold: Subsidiaries	–	–	–	10
Associated Companies	–	–	–	7
Other activities and items	(2)	(6)	36	29
Income receivable, less interest payable, from loans, deposits and investments, including revaluation adjustments	80*	84*	–	–
	289	332	2,782	2,794

*Includes credit revaluation adjustments of the Company's holdings of foreign currencies of £1 million (1984 £11 million).

5. Bank deposits, current asset investments and net balances with bankers at 30th September 1985 were £1,367 million (31st March 1985, £1,414 million).

6. (a) Territorial analysis of results of Principal Activities

	Profit before Tax 1985 £m	Profit before Tax 1984 £m	Turnover 1985 £m	Turnover 1984 £m
United Kingdom	157	172	1,316	1,225
Rest of Europe	16	17	257	234
The Americas	26	43	464	564
Australasia	4	5	115	127
Asia	3	5	345	304
Africa	1	1	103	115
	207	243	2,600	2,569

	Turnover 1985 £m	Turnover 1984 £m
(b) Sales to customers excluding inter-Group and associated companies	2,462	2,432
(c) Exports from the United Kingdom	604	558

GEC

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE SOUTHERN DISTRICT OF TEXAS
HOUSTON DIVISION

In re

CONTINENTAL AIRLINES CORPORATION,
CONTINENTAL AIR LINES, INC.,
TEXAS INTERNATIONAL AIRLINES, INC.,
TXIA HOLDINGS CORPORATION,
TEXAS INTERNATIONAL AIRLINES FINANCE N.V.,
TEXAS INTERNATIONAL AIRLINES CAPITAL N.V., and
TXIA FINANCE (EUROPE) B.V.,

Debtors.

Chapter 11
Case Nos. 85-04019-H2-5 through 85-04022-H3-5 and 85-05481-H3-5 through 85-05483-H3-5

Consolidated Case No. 85-04019-H2-5

NOTICE TO CREDITORS AND EQUITY SECURITY HOLDERS OF (A) HEARING ON APPROVAL OF DISCLOSURE STATEMENT, (B) HEARING ON CONFIRMATION OF JOINT PLAN OF REORGANIZATION AND (C) TIME WITHIN WHICH CREDITORS AND EQUITY SECURITY HOLDERS MAY VOTE FOR ACCEPTANCE OR REJECTION OF JOINT PLAN OF REORGANIZATION

NOTICE IS HEREBY GIVEN THAT:

1. On September 5, 1985, Continental Airlines Corporation, Continental Air Lines, Inc., Texas International Airlines, Inc. ("TXI"), TXIA Holdings Corporation, TXIA Finance (Europe) B.V., Texas International Airlines Capital N.V. and Texas International Airlines Finance N.V. (collectively, the "Debtors"), filed with the United States Bankruptcy Court for the Southern District of Texas (the "Bankruptcy Court") the Debtors' Joint Plan of Reorganization Under Chapter 11 of the United States Bankruptcy Code (the "Plan") and a proposed disclosure statement pursuant to section 1125 of the Bankruptcy Code in connection with the Plan (the "Disclosure Statement"). Copies of the Plan and the Disclosure Statement are on file with the Clerk of the Bankruptcy Court, United States Courthouse, 515 Rusk Street, Houston, Texas 77002 and may be reviewed during regular business hours.

Hearing on Approval of the Disclosure Statement

2. A hearing will be held on December 18, 1985 at 9:00 a.m., or as soon thereafter as counsel can be heard, before the Honorable T. Glover Roberts, United States Bankruptcy Judge, in Courtroom 1, United States Courthouse, 515 Rusk Street, Houston, Texas, to consider the Disclosure Statement and any objections or modifications thereto, and to consider any other matter that may properly come before the Bankruptcy Court at that time. Said hearing may be adjourned from time to time without further notice other than an announcement of the adjourned date or dates at the hearing or an adjourned hearing.

3. Objections or proposed modifications to the Disclosure Statement, if any, must be in writing and must be filed with the Bankruptcy Court, together with proof of service, and served on the following on or before December 6, 1985:

(i) Continental Airlines Corporation
2929 Allen Parkway
Houston, Texas 77019
Attention: Barry P. Simon, Esq.

(ii) Weil, Gotshal & Manges
Attorneys for the Debtors
767 Fifth Avenue
New York, New York 10153
Attention: Bruce R. Zirinsky, Esq.

(iii) Dotson, Babcock & Scofield
Attorneys for the Unsecured Creditors' Committee
4200 Interfirst Plaza
Houston, Texas 77002
Attention: William M. Schultz, Esq.

(iv) Bishop, Liberman & Cook
Attorneys for the TXI Public Debtholders' Committee
1155 Avenue of the Americas
New York, New York 10036
Attention: Robert Miller, Esq.

(v) Booth, Marcus & Pierce
Attorneys for the Union Labor and Pension Creditors' Committee
79 Fifth Avenue
New York, New York 10003
Attention: Claude Montgomery, Esq.

(vi) Ervin, Cohen & Jessup
Attorneys for the Non-Union Employees Creditors' Committee
9401 Wilshire Blvd.
Beverly Hills, California 90212
Attention: Clifford Brown, Esq.

(vii) Andrews & Kurth
Attorneys for the Institutional Creditors of Continental Air Lines, Inc.
4200 Texas Commerce Tower
Houston, Texas 77002
Attention: Hugh M. Ray, Esq.

Time for Acceptance or Rejection of the Plan and Hearing on Confirmation of the Plan

4. Creditors and the equity security holders of the Debtors who are entitled to vote to accept or reject the Plan must do so on or before February 20, 1986. Information regarding the Plan and instructions for voting on the Plan will be mailed to all known creditors and the equity security holders of the Debtors in advance of the expiration of the time fixed for voting.

5. A hearing will be held on March 20, 1986 at 9:30 a.m., or as soon thereafter as counsel can be heard, before the Honorable T. Glover Roberts, United States Bankruptcy Judge, in Courtroom 1, United States Courthouse, 515 Rusk Street, Houston, Texas, to consider confirmation of the Plan and any other matter that may properly come before the Bankruptcy Court at that time. Said hearing may be adjourned from time to time without further notice other than an announcement of the adjourned date or dates at the hearing or an adjourned hearing.

6. Objections to confirmation of the Plan, if any, must be in writing and must be filed with the Bankruptcy Court, together with proof of service, and served on the persons set forth in paragraph 3 above on or before February 28, 1986.

7. The times fixed for voting to accept or reject the Plan, the hearing on confirmation of the Plan and objections to confirmation of the Plan may be rescheduled by the Bankruptcy Court in the event that the Disclosure Statement is not approved by the Court on or about December 18, 1985. Notice of the rescheduled date or dates will be provided by an announcement at the hearing on the Disclosure Statement (or an adjourned hearing on the Disclosure Statement), as well as in the materials sent to creditors and the equity security holders of the Debtors regarding voting on the Plan.

8. SPECIAL NOTICE to holders of 7½% Convertible Subordinated Debentures issued by Texas International Airlines Finance N.V. and holders of Guaranteed Floating Rate Notes Issued by Texas International Airlines Capital N.V. (collectively, the "Eurobonds")—

Upon the approval of the Disclosure Statement by the Bankruptcy Court, the Plan, the approved Disclosure Statement and a ballot for voting on the Plan will be sent to all known holders of Eurobonds. Additionally, approximately one week after such approval, a further notice will be published advising holders of Eurobonds of the procedures for voting on the Plan and how they may obtain ballots and copies of the Plan and Disclosure Statement.

Dated: Houston, Texas
October 18, 1985

WEIL, GOTSHAL & MANGES
Attorneys for the Debtors
767 Fifth Avenue
New York, New York 10153
(212) 310-8000

/s/ T. Glover Roberts
United States Bankruptcy Judge
United States Courthouse
515 Rusk Street
Houston, Texas 77002

INTL. COMPANIES & FINANCE

Barlow Rand sees the abolition of apartheid as essential for growth

BY ANTHONY ROBINSON IN JOHANNESBURG

BARLOW RAND, South Africa's largest industrial conglomerate, sent an upbeat message to the Johannesburg stock exchange recently when it reported a 23 per cent. rise in turnover after one of the most difficult years even for the South African economy. Even the 3 per cent decline in earnings per share looked reasonable compared with the recession-hit profits of other big industrial groups.

The results implied that the outlook for industrials next year, when the economy is expected to grow by 3 per cent against a background of lower interest rates and higher government spending, might not be quite as gloomy as feared.

When added to other factors, like the decision to go ahead with the R4.8bn ($1.78bn) Mossel Bay off-shore gas project, the results helped to spark off renewed interest in equities as an inflation hedge which has raised the JSE Industrials Index to new highs—albeit in terms of the inflation and depreciation-weakened rand.

There are two main reasons for Barlow Rand's relatively good performance in the year to September: its strong position in the mining sector and the early success of its recently acquired international arm, J. Bibby and Son. In effect politics and rand depreciation have divided the economy clearly into winners and losers, and the winners are the mining sector and products like chrome and special alloy steels which have produced record results from the translation of export earnings into rand.

Barlow's gold, coal, chrome and other interests and its special alloys subsidiary Middelburg Steel account for around half the R709m group operating profits after interest, with Midelburg Steel, the star performer, turning in profits of around R55m after years of losses.

But it is Barlow's acquisition of Bibby last year, in the nick of time as it turned out, which has given the group a significant extra element of insulation from the vicissitudes of the stop-go South African economy. Mr Warren Clewlow, recently appointed as chief executive in place of Mr Mike Rosbolt, who remains chairman, has no doubt that if Barlows had not bought Bibby last year "it would have been impossible to do so now in the present climate of anti-South African feeling and at current exchange retes."

Although Barlow Rand was criticised for paying too much at the time, the £235m purchase, of which nearly a third flowed back to Tiger Oats, the food subsidiary, in compensation for its former 30 per cent stake, the 77 per cent growth in Bibby's pre-tax earnings in the nine months ending September contributed over R50m to profits translated from sterling.

But it is not the unexpectedly high immediate return but the longer-term expansion prospects, both internally and through acquisitions, which excite Mr Clewlow. "We have kept Bibby deliberately under-geared so it can make sizeable new acquisitions, up to £60m or so, without having to call on us as parent company to contribute. We are quite willing to see our holding diluted," he said.

Mr Warren Clewlow, Barlow Rand's new chief executive, says that bringing blacks fully into the economy is vital above all for the future growth of the currently depressed industrial side of the group's operations.

Despite the strong performance of the mining sector and Bibby, the group as a whole has yet to break out of the pattern of static dividend payments and declining earnings per share over a five-year period in which turnover has virtually trebled to R12.24bn from R4.5bn in 1981. Earnings per share have declined over this period from 204 to 165 cents, with the dividend unchanged at 70 cents.

Prospects for the current year look more favourable. The rapid reduction in prime rate from 25 per cent to 16.5 per cent over the past six months will help. So will a reduction in recent high levels of capital expenditure.

But the real key to higher overall profitability is more dynamic growth in the two major non-mining sectors of Barlow Rand's domestic South African operations, the food sector and industrial interests. The food interests, gathered together under the C G Smith umbrella, effectively a conglomerate within a conglomerate, account for around 15 per cent of profits.

The cash injection from the sale of its 30 per cent stake in Bibby made sure that the Tiger Oats subsidiary did not suffer the same fate as the rival Premier Milling group, whose profits were decimated by high interest charges and the perennially loss-making poultry division.

But real growth from this essentially stable area of Barlow Rand's activities will only come from higher black consumer purchasing power and the sort of radical political changes which could eventually make South Africa a major foodstuff supplier and processor for the entire Southern African region.

Mr Clewlow is convinced that "ultimately South Africa will feed the sub-continent." But South Africa's apartheid image and destabilisation policies will have to change dramatically before that happens.

Like Mr Rosbolt, the chairman, who is a leading business advocate of apartheid reform, Mr Clewlow is also convinced that "abolition of apartheid will impact favourably on Barlow Rand." Bringing blacks fully into the economy is vital above all, he says, for the future growth of the currently depressed industrial side of Barlow Rand's operations. This is made up of the packaging, paint, building materials, earth-moving equipment and other construction-linked activities.

"At present fewer than 10m of South Africa's 27m people are economically active. By the end of the century there will be 47m people. If the government abolished influx control and opts, as it is being urged to do, for a policy of orderly urbanisation, the potential growth is tremendous. Industries which are considered mature in Europe and the US are big potential growth areas for us, and Barlow Rand is geared to satisfy these demands," Mr Clewlow says. Only 10 per cent of the estimated 100,000 houses per year needed to dent the black housing backlog were built last year. To remedy this Mr Clewlow has called for a drastic change in the pattern of state spending. "Every spare penny has to be channelled into black housing, education and training," he argues.

The group spent over R40m last year on its own training schemes, designed largely to raise the level of black skills at all levels. But at the same time it shed over 8,000, mainly black workers, due to the recession and rationalisation. However, the perception that apartheid is no longer good for business and that abolition is vital if the South African economy is to reach its full potential is one now deeply rooted in enlightened self-interest. It is because of this that the conversion of South African business in general to the cause of apartheid abolition carries a ring of conviction often lacking in the past.

MULTIPLE EQUITY-LINKED BOND ISSUES BY THE PIRELLI GROUP.

The Pirelli Group has successfully completed five co-ordinated equity-linked bond issues which raised a total of approximately $227 million for certain Group operating subsidiaries. Each issue is convertible into, or carries warrants for, shares of one or both of the Pirelli parent companies.

EUROMARKET ISSUES

NEW ISSUE — *These Bonds having been sold, this announcement appears as a matter of record only.* — AUGUST 1985

U.S. $50,000,000

Pirelli Financial Services Company N.V.

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Guaranteed 7% Convertible Bonds Due 1995

Unconditionally guaranteed by

PIRELLI

Pirelli Société Générale S.A.

(Incorporated with limited liability in Switzerland)

and Convertible into Bearer Participation Certificates or Bearer Shares of Société Internationale Pirelli S.A.

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NEW ISSUE — *These Bonds having been sold, this announcement appears as a matter of record only.* — AUGUST 1985

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Berliner Handels- und Frankfurter Bank
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Credito Italiano S.p.A.
Generale Bank
Kleinwort, Benson Limited
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Morgan Stanley International
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NEW ISSUE — *These Bonds having been sold, this announcement appears as a matter of record only.* — AUGUST 1985

DM 120,000,000

Pirelli Financial Services Company N.V.

(Incorporated with limited liability in the Netherlands Antilles)

4% Convertible Bearer Bonds of 1985/1992

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DOMESTIC ISSUES

NEW ISSUE — *This announcement appears as a matter of record only* — SEPTEMBER 1985

Lir. 102,943,345,000

Industrie Pirelli S.p.A.

Bonds due 1995

PIRELLI

convertible into ordinary shares of

Pirelli S.p.A.

Rights to these bonds were offered to shareholders of Pirelli S.p.A. The issue has been subscribed in full.

NEW ISSUE — *This announcement appears as a matter of record only.* — OCTOBER 1985

FFr. 200,000,000

Tréficable Pirelli S.A.

Bonds due 1995

guaranteed by

PIRELLI

Pirelli Société Générale S.A.

with warrants to subscribe

Ordinary shares of Pirelli S.p.A.

Bearer Participation Certificates or Bearer Shares of Société Internationale Pirelli S.A.

Banque Paribas

MM. Lazard Frères et Cie

Crédit du Nord

Morgan et Cie. S.A.

PIRELLI

UK COMPANY NEWS

GEC profits below City forecasts

General Electric Company, which yesterday unveiled proposals to join forces with Plessey, the telecommunications and' defence business, alse reported a 13 per cent fall in half year pre-tax profits.

Profits to September 30 were £289m, compared to £332m for the corresponding period. A higher interim dividend of 1.4p (1.35p) is being paid, which is covered comfortably by unchanged earnings of 6.6p per share.

Brokers described the profit fall as disappointing. "These figures are well down on expectatiens and are not impressive at all," said one analyst. Anetber electronics analyst said: "GEC is not generating sufficient profits from internal growth."

They added that the results were one reason wby GEC bad simultaneously announced its cautieusly-expressed desire te jein up with Plessey.

"In sheer industrial logic it appears te make sense." said one broker, "these figures are the clearest indication that GEC needs to be much bigger if it is to compete effectively against the interoational giants such as Siemcns and the Japanese."

Analysts had downgraded forecasts since GEC warned at its AGM last September that prefits for the first feur months were lewer. But market expectatiens bad ranged around £320m, witb more bearisb circulars forecasting around £300m.

GEC's sbares, bewever, closed 12p higher at 186p reflecting a broadly favourable view on GEC's proposed new combinatien with Plessey.

DIVISIONAL PERFORMANCE ANALYSIS

	Turnover		Profits pre-tax		
	First half				
	1985/86 (£m)	1984/85 (£m)	1985/86 (£m)	1984/85 (£m)	Change (%)
Electronic	877	864	77	108	−28.7
Telecomms.	352	366	33	40	+17.5
Automation	230	215	20	19	5.3
Medical	199	230	9	14	−35.7
Power gen.	303	297	29	26	11.5
Electrical	377	351	19	19	0.0
Consumer	754	135	14	11	27.3
Distribution	100	111	6	6	0.0
Associates	146	179	4	11	−63.4
Other	36	29	2*	6*	—
Int. receivable	—	—	80	84	4.8
Total	2,782	2,794†	289	332	13.0

* Loss. † Includes subsidiaries and associates sold.

Pre-tax profits fell in three of GEC's eight main divisiens.

In telecommunications and business systems, pre-tax profits were down from £40m to £33m. Hewever, GEC said that its Exchange division was expected to recover in the second balf through the increasing rate of delivery of System X, the electronics switching system supplied to British Telecom.

Electronics systems and cempenents also experienced a sharp drop in profits from £108m to £77m, while electrical equipment was static at £19m.

There were sligbtly brigbter epets: consumer products' profits rose from £11m to £14m while power generation increased from £26m to £29m.

Even GEC's much criticised cash mountain was lower at £1.41bn (£1.37bn), which analysts attributed to GEC's decision to buy back its shares.

Geographically, GEC's perfermance suffered in almost every area. In the UK, pre-tax profits were down from £172m to £157m. In the US and South America, profits were cut from £43m to £26m, while elsewbere in Eurepe they were down from £17m to £16m.

GEC attributed the worldwide fall to several facters, other than the expected difficulties experienced in telecommunications. It said that Canadian Marconi bad seen profits cut by $23m due to a drop in orders, though there were signs of improvement.

In addition, Marconi Secure Radio, GEC McMichael and the Switchgear business revealed a £16m fall in pre-tax profits. A substantial unnamed order for Marconi Secure Radio, fell through after the company had failed to establish acceptable credit terms. GEC said the item bad involved "considerable expenditure."

GEC said it was reorganising all three of these businesses at a substantial cost.

Equally, the group said it was sharply increasing spending on research and development, particularly in opto-electronic devices and their applications.

GEC alse said that results had been adversely affected by unfavourable exchange rates. These had reduced the eterling velue of overseas activities hy £11m cempared te prevailing exchange rates at the and of September 1984. Gains through boldings of fereign currencies were alse down by £10m.

Several analysts said yesterday that the recent rise of the pound against the dellar would net benefit GEC, which saw exports from the UK rise substantially from £558m to £604m. "The rise of sterling will make it even harder fer GEC to compete in international markets," said one broker, "and telecemmunlcations is an internatienal business these days."

See Lex

LATEST TWIST IN WEINSTOCK'S MANOEUVRES

YESTERDAY'S merger proposal to Plessey is tbe latest twist in a remarkable history ef GEC's acquisitions stretching back 20 years and stemming from the arrival at the company of Mr Arnold (now Lerd) Weinsteck in 1961.

In that year GEC took over Radie and Allied Industries, a small but highly successful radio aed television manufacturer beaded by Mr Michael Sobell and his son-in-law, Mr Weinstock. Within two years, Mr Weinstock had beee appoieted managing directer of GEC, and began accelrating its growing profitability.

He was only 38, and while he came to GEC with a reputation as a good manager, his rise to the top was extraordinarily rapid.

GEC was one of the three leading British electrical engineering companies, tegether with Associated Electrical Industries (AEI) and English Electric (EE), but in some respects had been the least successful in the 1950s.

In the 1960s, however, this position was reversed and in a remarkable burst of merger activity, GEC swallowed these two rivals in the late 1960s. It teok over AEI in 1967 after a bitter battle (and after gaining suppert for a merger from the Labour Government's Industrial Reorganlsation Corperatien).

Twoy ears later (and again witb the backing of the IRC) it merged with EE, the largest of the three. This brougbt under the contrel of one company a large propertien of the UK beavy electrical engineering industry.

The 1970s were widely regarded as a "golden era" for the group, as it set abeut rationalising and strengthening electrical and electronics businesses. Return on capital empleyed rose frem 8 per cent in 1970 te 27 per cent in 1982.

There were a substantial number of small disposals but these were outweigbed by several major purchases.

In 1974 GEC bought Schrelber, the furniture and domestic appliance manufacturer. while in 1979 it acquired A. B. Dick, a long establisbed US reprographics maker for $100m, and W. and T. Avery, the British weighing machine manufacturer, fer £83m. The fellowing year it bought Picker Interoational, the US medical electronics manufacturer, for $116m, but was defeated by Racal in a takeover battle for Decca.

Avery, which was in considerable difficulties befere being taken over, responded well to a classic GEC blend of reorganisation and firm management controls. And Picker, which was merged with GEC's existing medical business, also did well. But Dick proved a disappointment as recession damaged its reprographics business and its efforts to enter the market for electronic systems proved misjudged. Deep surgery was necessary.

Despite amassing a celebrated "cash mountain," acquisitions over the past five years have been relatively small in scale. However, it has been involved in abortive discussions about two potentially major deals.

In 1982 it emerged as the possible purchaser of a 40 per cent stake in AEG-Technik, a new company formed to combine the capital goods, electronics and high technelegy products of AEG-Telefunken, the ailing West German company.

A stake in AEG would have given GEC a much stronger position in European markets, where its presence is surprislegly modest fer a group of its size. However, any bepe of a deal with AEG foundered on fears of West German workers that its inveivement weuld mean beavy redundancies and cencern ameng German industrialists that such a strategic stake should pass into foreign hands.

And in June last year it made a merger epproach to British Aerospace, which abruptly broke off talks the fellewing month complaining that no specific proposals had emerged from GEC.

In retrospect, GEC's move was probably a spoiling tactic to thwart merger talks already taking place—and later called off—between BAe and Thoro EMI.

In March this year, the group paid £34m to take coetrol of the Yarrow warship yard, oe the Clyde, which was being sold as part of the Government's privatisation programme.

Hanson lifts stake in Bowater to over 10%

Hanson Trust, the acquisitive industrial holding company, has increased its stake in Bowater Industries, the paper group, from 8 to just over 10 per cent. Bowater is expected to announce details of the enlarged Hanson holding today.

Hanson first disclosed that it held a significant stake in Bowater in July when it revealed a 7.03 per cent holding. In September it increased its stake by nearly 1 per cent te the 8 per cent figure.

Bowater's shares rose 1p fo 328p yesterday to valne the Hanson heldlng at mere than £30m. Hanson's shares fell 1p to 209p.

The revelation of the initial Hanson helding prompted stock market speculation that Hanson might be preparing a bid but Hanson described its purchases as a long-term investment.

Since revealing its initial purchase of Bowater shares Hanson bas launched a takeover bid fer SCM Corporation, the New York chemicals to typrewriters group, worth $930m.

This bid has since been stranded by a complex legal battle and city analysts do not expect Hanson te resume bid activity in Britain until this conflict has been resolved.

In 1983 the then larger Bowater and a much smaller Hanson Trust reached agreement on a merger bnt Bowater's bid was dropped fellewing a reference to the Monopolies Commission.

Bowater increased its pretax profit by £800,000 to £13.2m in the first half ef 1985 te disappoint analysts who had been boping for profits of around £16m. The company said bowever that it had put its large capital programmes and costs related to the demerger of its North American activities largely behind it.

In a separate development Hanson is believed to have taken a stake of just over 1 per cent in the shares of Babcock Internatienal, the engineering group. Babcock does not believe Hanson's intentions are bostile.

Trafalgar trying to sell London Standard stake

BY MARTIN DICKSON

Trafalgar House, the engineering, construction and shipping group, yesterday reported a 26 per cent rise in full-year pre-tax profits from £113.2m to £142.5m. The cempany alse confirmed speculation that it was considering selling its 50 per cent stake in the London Standard newspaper to the other joint owner, Associated Newspapers.

The results to end September 1985 were semewbat ahead of market expectations, which were pitched around £139m, although Trafalgar sbares closed 9p lower at 386p.

Sir Nigel Broackes, Trafalgar's chairman said that the group did not believe 50/50 per cent ownership of the London Standard was good for the newspaper. Trafalgar bad initially offered to buy eut Associsted Newspapers, but Associated replied by making a "rather inadequate offer" to buy net Trafalgar. "If they come up with a substantially better one, we will sell," Sir Nigel said.

Trafalgar is proposing a final dividend of 6.1p (5.3p), making an 11.5p total, up 15 per cent on last year's 10p.

Turnover totalled £1.91bn compared with £1.6—1bn, while earnings per share rose frem 30.6p to 34.7p, excluding extraerdinary items and a profit sharing scheme.

Trafalgar bas four divisions: property and investment; construction and engineering; shipping, aviatien and hotels; and oil and gas.

The largest trading profit improvement was in the property divisien, with a rise from £29.59m te £56.39m. This activity was belped by a first time contribution from bensebuilder, Comben Homes which was acquired during the year, by better margins and a clearing eut of stock.

Shipping, aviatien and botels produced profits of £31.77m (£15.76m). During the year tbe group pulled out of fruit carrying, and losses on the sale ef six fruit carriers and associated redundancy payments acceunted for the bulk of a £10.99m extraerdinary charge (£14,000 credit). 50—71/8

Sir Nigel Broackes, Trafalgar's chairman . . . does not believe 50/50 ewnership is good

Construction and engineering saw a profits decline from £47.87m te £41.36m. Sir Nigel said margins in the UK had been very fine and the effshore oil industry had been s weak market because of uncertainly ever the details of the British Gas privatisatien and the trend ef oil prices.

Trafalgar's own oil and gas production divisien produced profits of £30.52m (£31.37m). Sir Nigel said Tragalgar had spent some £173m en direct asset investment in the past year, some £75m ef it on oil and gas purchases.

"We are seeing seme very good oil opportunities in North America," he said and added "it is a depressed market for others, which makes it an opportunity for us."

Net borrowings at September 30 were £92.1m (£89.8m), equivalent to 18 per cent of shareholders' funds, which stood at £504.5m (£327.5m).

Asked about the group's 5.5 per cent stake in Davy, the engineering group, Sir Nigel said Trafalgar was satisfied with this level of trade investment and with the 50/50 joint venture set up betweee the two companies in North Sea engineering. "Our ambitions don't go beyond that."

● comment

Trafalgar House has rather run out of puff. The group is still scoring high points for management and for its erientation away from property but the stock market's enthusiasm for Trafalgar's beavy investment in capital intensive energy and contracting has been dulled by the evidence of ebrinking order books, thinner margins and declining Forties Field revenue. A 26 per cent rise in pre-tax profits for the year was as much as the equity market had expected but, after allowing fer the rights issue proceeds and the exceptional level of property profits, underlying progress looked a little less than heroic. This year will see some benefit from the US energy assets, enough at least to offset any further reduction in Forties production, and the US property developments will also start to contribute. But, even with a streng year in cargo sbipping, it is bard to see Trafalgar making more than £165m pretax which leaves the shares, down 9p at 386p yesterday, on a prospective multiple of just over 10. Until the uncertainties ever Scott Lithgow and Euroroute are reselved, that looks about right.

Acquisitions help Platon to 41% rise

THE twe electronics acquisitions made last summer by Platon International are performing well, despite the problems in the sector, and a contribution from them is included in the 41 per cent profit rise shown at the halfway stage.

In addition, Mr Gilbert Platon, the chairman, says that the enlarged group's potential has been underlined by a major contract for ruggedised computer equipment worth more than £1m, and that further contracts are under negotiation in the fields of nuclear engineering, railway telecommunications equipment and desert irrigation.

The markets were initially impressed by the profit rise and the optimistic tone of the chairman's statement, marking the shares of this USM-quoted group up 2p. They later fell back to close at 160p, down 3p on the day.

The dividend for the period te September 30 1985 is raised hy 0.4p to 1.33p on capital increased in the acquisitions, with earnings per share up at 4.16p (3.14p restated).

The interim taxable figure came to £256,300 (£181,400) on turnover £1.4m ahead at £2.85m. A profit of £83,800 (nil) from the design division—which includes one of the acquisitions—outweighed a £37,900 loss in the central finance bolding company (£11,100 profit).

The manufacturing companies lifted profits from £78,000 to £96,700, but Mr Platon says that this side was inevitably affected by the removal to the new factery at the Viables Industrial Estate, Basingstoke, which was completed in October.

He adds that the new facilities are already proving of benefit to production and is confident that they will allow the second balf to provide the traditional major part ef the year's turnover.

GrandMet offshoot sells tobacco company for £19m

BY PAUL TAYLOR IN NEW YORK

IN A deal worth $28m (£18.9m) Liggett & Myers, the US cigarette group owned by Grand Metropolitan, has sold its Brazilian tobacco cempany to Dibrell Brothers of Virginia.

A separate agreement will eventually lead to the Brazilian unit being majority-owned by a subsidiary of BAT Industries.

Dibrell, itself a tobacco concern, said yesterday that it had agreed to sell a 70 per cent stake in the Brazilian company, Liggett & Myers do Brasil, to Companhia Souza Cruz Industria e Comercio, Brazil's largest tobacco company which is owned by BAT Industries. The second stage of the deal is subject to the signing of a definitive agreement.

Dibrell Brothers, which has been the largest purchaser ef tebacco from Liggett & Myers do Brasil, said its own Brazilian subsidiary, Verafumos, will retain the remaining 30 per cent.

The Virginia-based company said it will realise no material gain or loss as a result of the sale of the 70 per cent stake in Liggett & Myers do Brasil, which will be renamed Tabasa Tabacos.

Grandmet bas recently been expanding its non-tobacco operations in the US — acquiring Quality Care, an operator of home nursing services, at the start ef this year and more recently, Pearle Health Services—while attempting to scale back its tobacco interests there.

GrandMet has been seeking a buyer for Liggett & Myers, part of the Liggett Group acquired for $570m five years ago for more than a year.

A planned management buy-out of L & M, the sixth largest US cigarette maker and a major manufacturer of generic cigarettes, collapsed last year.

Atkins Bros. expands to £0.2m midway

The directors of Atkins Brothers (Hosiery) are looking for considerably improved profits fer the year-ending March 31 1986. Over recent years the company has added te its traditional business of manufacturing knitwear by moving into electronics.

For the first half to September 30 1985 the group bas lifted its turnover from £6.31m to £8.32m and its pre-tax prefit from £96,000 te £215,000.

All areas of the business are currently very busy, the directors state, and should this momentum be beld througheut the first three months of 1986, then 1985-86 should produce a considerable improvemeot over the £312,000 of the previeus year.

In order to redress the imbalance built up in recent years between dividend payments, the interim is being raised from 1.35p to 1.7p net—last year's final was 4p.

Last April the group broadened its diversificatien into electronics and general engineering design technology with the acquisition of Cartnar Group, fer a mixture ef cash and shares.

The directors say that in the half year both the textile and electronic businesses have produced better figures, each area contributing profits attributable in almost equal preportions.

After tax £84,500 (£38,000) and minorities £17,000 (£3,000) the net attributable profit fer the six months its £114,000 (£54,000), fer earnings of 1.7p (1.35p) per share.

NEVI BALTIC, financial services group, has acquired Finance for Housing from Mr Rebin Ellisen for £250,000 cash. Finance for Housing was feunded by Mr Ellison, and through its building trust, which is run as an unauthorised unit trust, it provides mortgages to borrowers at a low rate of interest. On disposal of the mortgaged property, the borrower surrenders a propertion of the increased value te the lender.

Guinness Peat buys jobber

By John Moore, City Correspondent

Guinness Peat, the financial services group which is bidding £212m for Britannia Arrow Holdings, yesterday concinded a deal to purchase the remaining 70.1 per cent in White and Cheesman, the stockjebber.

The deal has been arranged through its Guinness Mahon Securities, offshoot. Completion of the purchase is expected to take place shortly after March 1, 1986.

White and Cheesman is a specialist market maker en the Stock Exchange in a wide range of Australian, Far Eastern, European and Irish stocks.

Mr Fraser Jennings, a director of Guinness Mahon and Co, will become an executive director ef White and Cheesman, with responsibility for the development of the jebber's business in Europe. He will also be responsible for other specialist areas and related developments in the Guinness Mahen investment banking business.

Mr Douglas Fairman of White and Cheesman will jein the board of Guinness Mahon Securities.

Park Place expands publishing side

Park Place Investments has cenditionally agreed to purchase Mary Glasgow Holdings, which publisbes language-teaching magazines for secondary scbeels. Consideratien is £1.63m te be met by the issue of 771,648 erdinary shares in Park Place, and this represents 6 per cent of the enlarged capital. Hoare Govett has conditienally placed 388,765 of the shares on behalf of the vendors through the market.

In the year ended July 31 1985 Mary Glasgow generated sales of £3.04m—a substantial part is made on the Continent, particularly France—and pretax profits ef £92,000; net assets stood at £1.36m inclnding cash £535,000. The acquisition will increase the variety and content of published materials sold to the education market.

DIVIDENDS ANNOUNCED

		Current paymant	Date of paymeet	Corresponding div.	Tetal fer year	Tetal last year
Atkins Bros	int	1.7§	Jan 20	1.35	—	5.35
Birmingham Mint	int	2	Jan 13	1.75*	—	5.75*
Brunning Group	int	2.1	Jan 7	2.1	—	4.9
CH Industrials	int	0.5	Dec 31	0.45	—	2.11
Country and New	int	0.6	Jan 31	0.5	—	1.5
GEC	int	1.4	Mar 29	1.35	—	4
Matthew Hall	int	1.5†¶	Dec 31	0.68*	—	3.94*
International Signal	int	1.2‖	Jan 13	1	—	2.5
Leeds Group	int	4	—	3.25	6.25	5
Platon‡	int	1.33†	—	0.93	—	2.8
Ranks Hovis		3.45	—	2.76	5.29	4.36
Toothill	int	3.3	—	3	—	7.5

* Equivalent after allowing for scrip issue. † On capital increased by rights and/er acquisition issues. ‡ USM stock. Dividends shown pence per share net except where otherwise stated. § Unquoted stock. ¶ To reduce disparity. ‖ US cents.

UK COMPANY NEWS

Ultramar spends C$120m acquiring Gulf Canada

BY DOMINIC LAWSON

Ultramar, the UK independent oil company, is paying C$120m (£58m) for the oil refining and marketing assets of Gulf Canada in Quebec and the Atlantic provinces. The deal wit be funded from the company's large unused lines of credit.

In August, Ultramar beoke off discussions over the deal with Olympia and York Developments, the Canadian company which controls Gulf Canada.

The price agreed is believed to be lower than that originally demanded.

The deal marks the latest of several steps by Ultramar over many years to build a major refining and marketing business in Canada. In 1983 it upgraded the refinery which it built in Quebec in 1971. The Gulf Canada deal is designed mainly to provide outlets for that refinery. The assets being acquired include 675 service stations, as well as cash and net current assets of sbout C$30m.

Ultramar markets at the moment about 25,000 barrels a day of oil produets in Quebec, Newfoundland and Ontario. Gulf was selling ahout 34,000 b/d in Quebec and the Atlantic Provinees. Following this acquisition Ultramar will be Quebec's leading retailer of gasoline.

Ultramar said yesterday that "there would be substantial economies of scale, both at the Quebec refinery and in the supply of petroleum products through the combined network."

Mr David Ellon, a director of Ultramar, said that the Gulf Canada assets would generate cashflow over the next three to four years equivalent to the cost of the purchase.

He concednd that Canadian oil marketing and refining was a mature area, hut added: "One can make money in mature businesses if you have a good brand."

Ultramar will also be spending about C$13m converting tha Gulf chain to the Ultramar name.

Mr Elton said that Ultramar'a future expansion would be concentrated on oil exploration and production, particularly in the US and the UK. Concerning the possibility of taking over other UK independent oil companies. Mr Elton said: "We are reviewing the situation rontinually."

Ultramer's share price gained 5p to close at 205p.

Intl. Signal shows little change

A SUBSTANTIAL increase in interest charges, mainly as the result of an acquisition, has led to a virtually unchanged pre-tax profit at Internatinnal Signal and Control Group for the six months ended September 29 1985.

The group is engaged worldwide in providing security and defence systems, and electronic aerospace design and production. It reports its figures in US dollars, its principal trading currency.

Sales for the period moved up 57 per cent to $193.93m, or £131.2m et current rates of exchange, and the operating profil was nearly 47 per cent higher at $21.03m, or £14.23m, despite an exchange loss of $1.3m as a result of the weakening of the dollar against Euro currencies. The pre-tax balance, however, was almost static at $14.27m, equal to £9.65m, compared with $14.1m.

The half year includes SI.EL which was acquired on March 1 last. It accounted for $43.6m of turnover and $3.7m of operating profit. It was the principal reason for an increase from $1.12m to $7.8m in interest charges — a bank debt was incurred for the purchase, and also contract work in peogress in the international division and at SI.EL had to be financed.

The directors report that the group's international division achieved a good increase in its peofit contribution. New business peospects continue encouraglog and as in previous years, the second half will bave a significant influence on the division's performance for the year.

ISC Defense Systems has expanded its order book since the beginning of the year. This will not benefit this year's results but should contribute to improved performance in future.

Performance in all of Marquardt's five main product areas has been most encouraging, they say.

Work has started on a new building at Ven Nuys to accommodate production line for the tactical munitions dispenser for the US government.

Good progress has been made in integrating SI.EL into the group, and several joint marketing and development programmes are under way.

It is snticipated that joint efforts between the international group and SI.EL will lead to additional international orders. At the same time SI.EL has obtained new orders from existing customers.

Discussions are peogressing well on a number of further programmes with both new and existing customers, snd the directors view the outcome of the year with ronsiderable ronfidence.

The interim dividend is raised from 1 cent to 1.2 cents per share, from earnings of 6.5 cents (6.2 cents) struck after tax $5.35m ($5.64m).

For the year ended March 31 1985 the group made a pre-tax peofit of $40m and paid a total dividend of 2.5 cents.

● comment

Yesterday's events in the electricals sector would have provided International Signal with a more than adequate smokescreen for its results had it feit the need for one. In fact the company was quite unabashed by this first interruption to its fast profits growth since coming to the market in 1982, rightly pointing to the fact that a company engaged in multi-yeac contracts cannot be judged on one half year alone. SI.EL has predictably cost the group dear in interest charges but will wash its face by the year-end, while the state of the order book suggests that the billing-out of work in peogress will take full-year profits to about $50m. With the shares down 2p to 313p and a tax charge of 40 per cent, this puts the prospective p/e ratio at abont 20 on most forecasts of tha year-end exchange rate. At that level the price looks justifiable on short-term prospects, and with rompound earnings growth of perbeps 25 per cent in sight for the next three years the shares begin to look inexpensive.

Bahamas stake lifts Moss Bros shares

Shares in Moss Bros, the clothing sale and hire chain, rose 5p to 580p last night after the announcement that Dsvrow, a Bahams based company controlled by Mr David Rowland of Monaro, bsd acquired a holding of 155,000 shares, or 5.12 per cent.

Mr Rowland was a controversial figure in the early 70s when he made his reputation in the property and shares markets, and later in the decade with a series of moves in the London casino business.

REDPATH INDUSTRIES, a Canadian subsidiary of Tate & Lyle, reports a 17 per cent increase in taxable income to C$45.5m (£19m) against C$38.8m for the year to end-September, 1985.

Profit from antomotive, industrial and constructions products activities was greater than the sugar division's. Total revennes were up from $372m to $444m.

Donlee Manufacturing Industries was the main contributor to the increased non-sugar profits, while competitive conditions in the US sugar industry adversely affected refined sugar results, the directors state.

PREMIER Consolidated Oilfields has received acceptances in respect of 2.36m (98.40 per cent) of the ordinary shares in Rocky Mountains Oil and Gas. The offer has now become unronditional and remains open.

Two further acquisitions by Connells for £3m

ACQUISITIONS in 1985 have resulted in Luton-based Connells Estale Agents, expanding its residential offices by 55 per cent from 27 to 42 and more than doubling its commercial offices from five to 11.

The most recent purchases were announced in the last two days. On Monday it bought the Brighton-based Brian Dodd and Co for £533,000 and yesterday it acquired Wilson & Partners, based in Northampton, for a consideration equivalent to about £2.68m.

The price for Dodd was met by £283,000 casb and the batance in shares. In the year to end of July 1985 the company, which bas assets of £133,000, made profits of about £60,000.

The ronsideration for Wilson, surveyor, veluer, investment and development consultant, with branches throughout the northern bome counties and south Midlands, will be met initially by £700,000 cash and 461,538 shares. The balance will be piad in shares during 1987 based on the orofitability of its commercial operations during 1986.

Wilson's taxable earoings grew from £162,000 in 1981 to £457,000 in 1985 from fee inrome wbich rose from £598,000 to £1.89m.

Mr John Simson, Connell's chairman said that the Wilson acquisition gives the group a dominant position in the area of strong economic growth contained in the M1 corridor between London and Leicester.

Connells came to the market in March 1984 offering a little more than 3m abares st 120p eacb. In October this year Legsi and General Group took an 8 par cent stake in the company.

The shares closed at 172p, up 4p on the day.

Rosehaugh debenture

Rosehaugh Greycoat Estates is placing £40m nominal of first mortgage debenture stock 2014, payable as to £40 per £100 nominal by November 29 1985, and the balance by February 26 1986.

Overall rise lifts RHM to £72m

Ranks Hovis McDougall checked into the City yesterday with 1984-85 profits some £4.5m higher than the top end of analysts' forecasts.

With nearly all sectors of the group's business showing substantial trading improvements pre-tax profits for the 12 months ended August 31 surged fcom a restated £50.7m to a rerord £71.5m, an improvement of 41 per cent.

The final dividend is being lifted to 3.45p, giving shareholders a 21.4 per cent increase in their total to 5.29p net per share.

In the UK good profits were recorded by the flour milling, grocery and general product divisions and the packaged cake bnsiness turned in good peofits —in line with the previous year.

Overseas trading profits increased by 88 per cent, with a noted "very substantial" turnround in the US.

The group manufactures, processes and markets food under such names as Mothers Pride, Nimble, Hovis, Bisto and Atora. The past year saw its external sales rise from £1.21bn to £1.31bn and its trading profits by £19.4m to £75.8m.

The associates chipped in £0.4m more at £1.6m and interest costs were cut by £1m to £5.9m.

Tax took £23.2m (£14.4m) to leave net profits at £48.3m, rompared with £36.3m. There were also minorities of £3.6m (£2m) and extraordinary debits of £10.5m (£9.9m).

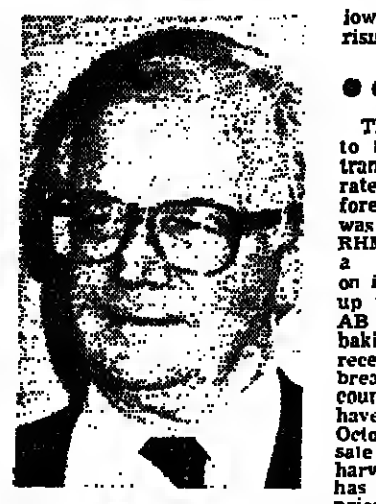
Available profits emerged at £34.2m (£24.4m) and earnings at 15.7p (12.2p) per 25p share. Dividends will absorb £15.2m (£12.5m). The return on funds was 17 per cent (13 per cent).

The current year has got off to a good start and Sir Peter Reynolds, the chairman, expects another satisfactory outturn. He points out, however, that this year's bad wheat harvest makes it difficult to forecast but adds that some price increases have already been made.

British Bakeries is benefiting from the rationalisation and heavy investment programme embarked upon some four years ago.

The basis of translating overseas earnings has been changed from year-end to average exchange rates and comparative results have been restated accordingly. The effect of the change increased 1984-85 pre-tax peofits by £2.7m and reduced those of the previous year by £0.4m.

The group's sheres closed 4p lower yesterday at 178p after rising to 184p at one stage.



Sir Peter Reynolds, chairman of Ranks Hovis McDougall

● comment

These figures were flattered—to the tune of £2.7m — by a transition to average exchange rates for the translation of foreign earnings; even so, this was a good performance with RHM's pre-interest margins up a point and its return on its milling and baking assets up to the best practice set by AB Foods. The prospect of RHM baking at a profit rontinues to recede with price increases on bread vanishing in retailers' discounts; but milling margins have been restored by the October price rise to compensate for this year's quite dismal harvest. The recovery in the US has been substantial. The share price fell 6p to 178p on a day when most minds were occupied with other things; but a multiple of 10 times next year's expected earnings — harvest permitting — recognises RHM's emancipation in the sector. However, this is a long way from a growth rating for a company that continues to cover its small acquisitions out of cash-flow.

Birmingham Mint profits surge

BIRMINGHAM MINT Group fulfilled expectations of strong first half results by achieving a 72 per cent rise in pre-tax profits in the six months to September 30 1985 fcom £413,000 to £712,000.

Turnover rose nearly 14 per cent from £9.82m to £11.18m. An increased interim dividend of 2p per ordinary share is being paid, rompared with 1.75p last year, adjusted for the scrip issue. Earnings per share for the period were 7.2p (5p).

The group says the improvement in markins was particularly evident at Birmingham Mint Products which makes coins for foreign rountries and tokens for such things as parking meters. This subsidiary was helped by the £12m order to supply India with 500m rupee coins, which falls entirely into this year.

J. R. Gaunt, which makes badges and buttons for uniforms, and Electro-Precision Components, manufacturer of precious metal eontacts for electrical switches, also performed satisfactorily. However, profits were lower at the metal pressings subsidiary.

Prospects for the second half continue to be encouraging and the directors expect to report further peogress at the year end.

● comment

Birmingham Mint's profits growth is mainly attributable to the coin minting operation itself, where an order for 500m coins from the Indian Government has brought higher margins than were available on the bulk supply of coin blanks to other mints. It has also enabled the plant to run at full capacity for the first time in many years. Elsewhere the performance has not been so strong: Electro-Precision Components has made some progress, but J. R. Gaunt is up only marginally and the pressings division hardly made profits at all. The second half will see the Indian contract in for a full six months instead of three, putting profits of £1.5m within easy reach for the year but, after that, much seems to hang on whether India renews its contract for a second year and on the likelihood of improving the performance of the smaller off-shoots. With the shares up 5p at 125p, the prospective p/e ratio is 9 after a 42 per cent tax charge, a rating peobably sustained more by speculation over what is going to happen to Gomba Holding's 9 per cent stake than by faith in the underlying performonce.

Toothill looks for slight rise in current year

R. W Toothill, a furniture maker based in Co Durham, expects that results for the 1985-86 year will he a little better than the depressed £305,000 reported last year.

This was announced along with the half-year outcome to end-September, which show a slight increase in taxable profits et £121,000 (£112,000), on turnover, excluding VAT, of £2.03m (£198m).

It is encouraged by the initial progress of this product and believes that it will ultimately make a worthwhile contribution to earnings.

The interim dividend is increased from 3p to 3.3p, with earnings per share up from 8.43p to 10.86p after a tax charge of £45,000 (£53,000).

THIS ANNOUNCEMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about this Tender Offer, please consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

Tender Offer

by

London & Continental Bankers Limited

on behalf of

GLEN INTERNATIONAL PLC

to acquire shares representing, together with the shares it already owns, up to 28.5% of the share capital of

PYKE HOLDINGS PLC

plus a

Potential top-up payment

This Tender Offer closes at 3.30 p.m. on Wednesday, 18th December, 1985

Further copies of this Tender Offer and Form of Tender (upon the terms of which alone tenders will be accepted) may be obtained on request from London & Continental Bankers Limited, Laurence, Prust & Co, and National Westminster Bank PLC at the addresses set out below.

London & Continental Bankers Limited
(Registered in England No 1042650)
Registered Office
2 Throgmorton Avenue,
London EC2N 2AP

To all shareholders of Pyke Holdings plc ("Pyke") — 4th December, 1985

Dear Sir/Madam,

Tender Offer for Pyke Shares

On behalf of Glen International PLC ("Glen"), we hereby offer to acquire by tender, on the terms and subject to the conditions set out below, such number of fully paid shares of 10p each of Pyke ("Pyke Shares") which together with Glen's existing holding of 533,900 Pyke Shares would represent up to a maximum of 28.5 per cent of the share capital of Pyke in issue and fully paid at 3.30 p.m. on 18th December, 1985, the closing date of this Tender Offer. Accordingly if there are no further issues of Pyke Shares prior to the closing date, the maximum number of Pyke Shares to be acquired by Glen under the Tender Offer (the "stated maximum") will represent 16.9 per cent. of the issued share capital of Pyke.

Terms and Conditions of the Tender Offer

1. The tender consideration shall be **440p in cash** for each Pyke Share tendered and accepted. In certain circumstances all acceptors may also at a later date become entitled to a top-up payment as described below.

2. Unless tenders in respect of at least an aggregate of 433,300 Pyke Shares (approximately 3.4 per cent of the present issued share capital) are received, the Tender Offer shall be void.

3. Subject to the provisions of paragraph 2 above, all tenders will be irrevocable.

4. The Tender Offer will close at 3.30 p.m. on 18th December, 1985.

5. Pyke Shares will be acquired by Glen free from all liens, charges and encumbrances and with all rights now or hereafter attaching thereto including the right to receive all dividends and other distributions declared, made or paid after the date hereof save that Pyke shareholders shall be entitled to receive and retain the proposed further dividend of 3.5p (net) per Pyke Share for the period ended 30th September, 1985 announced on 22nd October, 1985 in respect of Pyke Shares sold under the Tender Offer.

6. Glen already holds 533,900 Pyke Shares (11.6 per cent of Pyke's present issued share capital) and will hold 28.5 per cent of Pyke's share capital in issue at the closing date if it acquires the stated maximum number of shares now being offered for. If the number of Pyke Shares tendered exceeds the stated maximum, the tenders will be scaled down pro rata.

7. All tenders must be made on the Form of Tender, duly completed in accordance with the instructions thereon, which constitutes part of the terms of the Tender Offer.

Procedure for Tendering

Copies of this Tender Offer and Form of Tender upon the terms of which alone tenders will be accepted have been despatched by post to shareholders of Pyke as registered at 26th November, 1985 and may be obtained on request from:—

London & Continental Bankers Limited, 2 Throgmorton Avenue, London EC2N 2AP, 01-638 6111	Laurence, Prust & Co., Basildon House, 7-11 Moorgate, London EC2R 6AH, 01-606 8611	National Westminster Bank PLC, New Issues Department, PO Box No 79, 2 Princes Street, London EC2P 2BD, 01-638 9181

[illegible]

Glen is making this Tender Offer because it believes that the Hillsdown offer substantially underestimates the worth of Pyke and the absence of a cash alternative from Hillsdown makes its offer particularly unattractive.

Glen would be content to see Pyke, in whose management it has every confidence, continue as an independent company and accordingly does not intend to accept Hillsdown's offer.

Hillsdown has announced that it intends to post its formal offer document as soon as Pyke's 1985 Accounts are available, which is expected to be not later than 10th December 1985. On this basis shareholders will have an opportunity of considering this Tender Offer in conjunction with that document.

Your attention is drawn to the top-up provisions set out below and to the Appendix which contains details of Pyke Shares purchased by Glen and of the share prices of Pyke over the last 9 months.

Glen's Intentions

Glen does not intend:

i) to dispose of its own existing shareholding in Pyke or any Pyke Shares acquired under the Tender Offer; or

ii) to make any general offer to acquire the share capital of Pyke.

Glen would however reconsider its position in the event of any material change of circumstances, for example, if the Board of Pyke were to propose a material corporate transaction, or if Pyke were to lose its listing, or if Hillsdown were to revise its offer either in form or in amount, or if a third party announces its intentions to make any tender or general offer for the Pyke Shares or if Hillsdown does not proceed with its offer or its offer lapses. Glen would not in any event make an offer for Pyke which did not include a full cash alternative.

Top-up Payments

All acceptors of the Tender Offer will be contingently entitled to receive a supplementary payment (the "top-up payment") in cash as additional consideration for each Pyke Share tendered and accepted. The top-up payment will be made if and only if any one of the following conditions is fulfilled within 6 months of the closing date:—

(a) if Hillsdown revises its general offer to acquire the share capital of Pyke to include a full cash alternative and such revised offer is accepted by Glen in respect of any of its holding as enlarged by the acquisition of Pyke Shares pursuant to the Tender Offer and such offer becomes or is declared wholly unconditional [illegible]

(b) [illegible]

(c) [illegible]

(d) [illegible]

[illegible]

For the purpose of the top-up payments section, (a) the publication of a scheme of arrangement under the Companies Act 1985 in consequence of which any person will hold all or any part of the issued share capital of Pyke shall be deemed to be the making of a general offer; and (b) an acquisition of a controlling interest shall be deemed to occur if the right to cast more than 50 per cent. of the votes which may ordinarily be cast on a poll at a general meeting of Pyke becomes vested in the offeror and/or any subsidiary of the offeror and/or any person acting in concert with the offeror.

Yours faithfully
For and on behalf of
LONDON & CONTINENTAL BANKERS LIMITED

M. L. Gibbs, Authorised Signatory — O. C. Barstow, Authorised Signatory

APPENDIX

1. Glen made purchases of Pyke Shares on the following dates—

Date	Number of Shares	Price	Date	Number of Shares	Price
1985					
8th July	10,000	298p	10th July	10,000	322p
8th July	5,000	300p	22nd August	5,000	305p
9th July	20,000	302p	22nd August	2,500	310p
9th July	15,000	308p	22nd August	2,500	315p
10th July	5,000	313p	22nd August	10,000	317p
10th July	2,500	315p	22nd August	5,000	320p
10th July	20,000	318p	22nd August	116,000	321p
10th July	175,000	320p	28th October	120,000	364p

2. *The following table sets out the middle market quotations for Pyke Shares based on The Stock Exchange Daily Official List, at the close of business on the first dealing date of each month from March 1985 to December 1985, and on 21st October 1985, and on 2nd December, 1985, the last dealing dates prior to the announcement of the Hillsdown Offer and to the publication of this advertisement respectively.*

1985		1985	
1st March	315p	2nd September	322p
1st April	320p	1st October	340p
1st May	316p	21st October	345p
3rd June	310p	1st November	400p
1st July	300p	2nd December	402p
1st August	310p		

✂ -

Unless the context otherwise requires, expressions defined in the Tender Offer document dated 4th December 1985 from London & Continental Bankers Limited bear the same meanings in this Form.

Form of Tender

for the sale of shares of 10p each

in

PYKE HOLDINGS PLC

ACTION TO BE TAKEN

If you wish to tender all or any of your Pyke Shares, you should complete and sign where indicated below. The number of Pyke Shares which you wish to tender should be inserted in the box marked*.

AND THEN

Send the Form together with your share certificate(s) and/or other document(s) of title for the total number of shares tendered to National Westminster Bank PLC, New Issues Department, P.O. Box No. 79, 2 Princes Street, London EC2P 2BD as soon as possible but in any event so as to arrive not later than 3.30 p.m. on Wednesday, 18th December 1985.

NOTE

If you have lost one or all of your share certificates you should follow the procedure in note E below.

Your attention is also drawn to the additional notes below.

To: London & Continental Bankers Limited ("LCB") and Glen International PLC ("Glen").

(1) I/We, the undersigned, have received the Tender Offer document dated 4th December, 1985 (the "Tender Offer document") from LCB offering on behalf of Glen to acquire by way of tender such number of Pyke Shares as when aggregated with Glen's existing holding would represent up to 28.5 per cent. of the share capital of Pyke in issue and fully paid at 3.30 p.m. on 18th December, 1985. I/We hereby irrevocably tender to LCB on the terms and subject to the conditions set out in the Tender Offer document

Pyke Shares held by me/us (or such smaller number as may result from scaling down in accordance with the provisions of the Tender Offer document) for settlement in cash.

*If you leave this box blank you will be deemed to have tendered all your registered holding of Pyke Shares (or such smaller number as may result from scaling down the whole of your registered holding in accordance with the provisions of the Tender Offer document).

(2) I/We enclose the share certificate(s) and/or documents of title in respect of the Pyke Shares tendered hereby.

[illegible]

PLEASE SIGN HERE

(1) Sole or First Holder: ______ (L.S.) — (3) Third Holder (if any): ______ (L.S.)

Usual signature / Surname / Forename(s) / Address

(2) Second Holder (if any) ______ (L.S.) — (4) Fourth Holder (if any) ______ (L.S.)

Usual signature / Surname / Forename(s) / Address

In the case of joint holders ALL must sign. A corporation must also execute under seal.

[illegible]

NOTES REGARDING THE COMPLETION AND LODGING OF THIS FORM

The following notes should be read carefully as in order to be valid the Form of Tender must be correctly completed in all respects and received by National Westminster Bank PLC, New Issues Department by 3.30 p.m. on Wednesday, 18th December, 1985 together with the relevant share certificate(s) and/or other document(s) of title and, where appropriate, death certificate, probate, letters of administration, marriage certificate and/or deed poll.

In order to be valid this Form must, except as mentioned below, be signed personally by the registered holder or, in the case of a joint holding, by ALL the registered holders. A body corporate must execute this Form under seal, the seal being affixed and witnessed in accordance with its Articles of Association or other regulations.

The following suggestions are made to avoid delay and inconvenience:—

A. If a holder is away from home (e.g. abroad or on holiday)— [illegible]

B. If you have sold your holding in Pyke— [illegible]

C. If the sole holder has died— [illegible]

D. If one or more of the joint holders has died— [illegible]

E. If one or all of your share certificate(s) has/have been lost— [illegible]

F. If your name or other particulars are shown incorrectly on the certificate, e.g.— (a) incorrect name ... James Smith; correct name ... James Smythe [illegible] (b) incorrect address [illegible] (c) change of name [illegible]

Further copies of this Form are available from:—

London & Continental Bankers Limited, 2 Throgmorton Avenue, London EC2N 2AP, 01-638 6111 — Laurence, Prust & Co., Basildon House, 7-11 Moorgate, London EC2R 6AH, 01-606 8611 — National Westminster Bank PLC, New Issues Department, PO Box No 79, 2 Princes Street, London EC2P 2BD, 01-638 9181

UK COMPANY NEWS

Brunning recovers from setback

BRUNNING GROUP has recovered from the setback suffered in the second half of 1984-85 when profits were only £19,000. In the first half of the present financial year they have increased by 12 per cent from £358,000 to £402,000 on turnover ahead 13 per cent from £29.43m to £33.33m.

This was in spite of the group's continued difficulty to let Brunning House in east London which it vacated in June 1984. One floor has, however, been let to Prudential Assurance and Brunning says other enquiries are being pursued.

The interim dividend for the six months to September 30 1985 is being held at 2.1p. Earnings per share were 7.9p, compared with 6.4p previously.

In a move aimed at improving the trading position of its activities in the north-west, the group has decided to merge its Liverpool and Manchester operations into a single agency, operating from new premises in Manchester. These will be fully operation from January and will, says Brunning, be one of the largest agencies in the region.

Brunning says it is continuing to gain new business for both its agencies and marketing companies.

Matthew Hall tops £11m despite problems in US

Matthew Hall, engineering designer and contractor, has announced pre-tax profits of £11.37m for the nine months to end-September 1985, against £10.54m, an improvement of nearly 8 per cent.

The directors say that while activity in the US increased, very tight margins, a problem contract, and continued depressed demand for mining services again caused disappointing results there.

In addition, although trading profits improved from £8.99m to £8.46m, the pre-tax result was struck after lower interest received of £2.91m against £3.55m. This reflected a reduction in liquid funds due to increased working capital requirements.

To reduce disparity the interim dividend is being lifted to 1.5p (0.675p adjusted for the one-for-one scrip in June). A total of 3.9375p (adjusted) was paid for 1984 on profits of £14.25m.

The directors say that while competition remains fierce, workloads are healthy and present indications are that pre-tax profits for the full year should approach £15.75m.

During the period under review the group's oil, gas and chemical companies in the UK and Holland exceeded their targets.

From a total turnover of £294.86m (£271.2m) trading profits of the oil, gas, chemical and mining side improved by 37 per cent from £3.13m to £4.28m. The mechanical and electrical side rose by 8 per cent to £4.18m (£3.86m).

● comment

Only good luck spared Matthew Hall from an even greater exposure to the US mining industry as last year the group were on the verge of spending perhaps as much as $30m on a private mining service company. The virtual collapse of its North American strategy is now much exercising the board's mind. These figures contain a fair-sized provision on a $12m US contract that has gone bad. The market's disappointment with these results was amplified by the poor news from the US. However, the shortfall against expectations of £12m equates exactly with the drop in interest earned due to the higher working capital requirements. Customers are less willing to put money up ahead of work being completed and this is a trend likely to continue. In the UK, the recovery in mining has been slow and management attention is focusing on the integration of the £19m IDC acquisition. But the North Sea work remains buoyant, with plenty of tenders in the pipeline, and overall the order book is up on this time last year. On forecasts of £15.9m, the shares at 162p, down 15, look fairly fully valued on a prospective multiple of 14½, given a 47 per cent tax charge.

Merivale placing to cut gearing

BY LUCY KELLAWAY

THE PROSPECTUS is published today for a placing of shares in Merivale Moore, a property company which is being floated on the stock market with a value of £13.7m.

Hill Samuel is placing 2.5m shares at 115p each, representing 21 per cent of the enlarged share capital. About 2m shares are being sold by existing shareholders, including 600,000 by Hill Samuel, while the remaining 500,000 shares will raise £100,000 for the company after expenses. This money will be used to reduce borrowings, which on June 30 1985 amounted to 33 per cent of net assets.

The company's £25m property portfolio is divided into three segments: residential developments (£6.8m), commercial investment (£8.2m) and residential investment (£9.9m).

Residential development consists mainly in converting luxury flats in Kensington and Chelsea, where present projects include a £6m development of Radcliffe Mews SW10. The development work is carried out under the name of CPK, and refurbished flats typically cost between £90,000 and £170,000.

The group's commercial investment policy is to buy for redevelopment shops and office buildings situated mainly in London and in Norwich. The commercial investment portfolio was greatly increased by the £1.6m acquisition last month of Wonham Properties, which owns two long leasehold office blocks in W1.

Residential properties held for investment are mainly tenanted purpose built blocks in London and Norwich. The company is currently negotiating the sale of 60 houses in Suffolk, valued at £1.7m.

Merivale Moore was founded in 1961 by the present chairman, Mr Grenville Dean. During the last five years, turnover, net rental income and pre-tax profit have risen steadily to reach, respectively, £7.9m, £609,000 and £1.4m in the year to June 1985. The company estimates that over the past three years, on average, 60 per cent of gross profits before rental income came from residential developments and about 40 per cent from sales of residential investments.

Profits for the current financial year are forecast to be not less than £1.8m, on which basis the shares are on a prospective price earnings multiple of 11.4. The gross yield is 3.1 per cent, and the net asset value is 143p a share.

Leeds Group up by 41%

Leeds Group maintained the progress made in the first half to achieve pre-tax profits up 41 per cent from £1.42m to £2.01m for the year ended September 30 1985. Turnover rose 37 per cent from £10.53m to £14.46m.

The textile dyer, oil prospector and leasing group says all divisions contributed to the profit, but the three branches of Leeds Dyers produced outstanding results. Shareholders will receive an increased final dividend of 4p (3.25p), making 8.25p (5p) for the year.

However, the group warns that although its present financial year has started well, the strength of sterling may hamper the export success of the Yorkshire wool textile industry generally.

Earnings per share in the period under review rose 31 per cent from 14p to 18.4p.

Jack Israel surges 55%

With first half profits ahead by 55 per cent the Jack L. Israel Group is set to comfortably achieve £1.3m for the full year, the figure forecast last August at the time of its entry to the USM.

The group imports and distributes canned fruit and vegetables and includes among its customers the Co-op, J. Sainsbury, Safeway Food Stores, Gateway Foodmarkets, H. J. Heinz and Crosse & Blackwell.

For the opening six months (to September 30 1985) turnover pushed ahead from £14.48m to £15.75m and profits from a related £342,000 to £530,000 pre-tax.

Turnover for October was in excess of budget and the volume of negotiated contracts is such that the directors are of the opinion that the full year profit forecast will be comfortably met.

Half year tax accounted for £214,000 (£152,000) and minorities for £2,000 (£1,000). Earnings emerged at 0.47p, compared with a previous 0.28p.

The directors' intention is to recommend a final dividend of 0.5p net.

The group's flotation was achieved through a reversal into Gibson Estates, a former tea company which had not traded since its assets were nationalised by the Sri Lankan government in 1975.

Charlie Brown's Car Part Centres' shareholders were told at the annual meeting that after four months of the current year, sales had continued at a very satisfactory level, showing a 40 per cent improvement on the same period last year. The programme of opening new branches has continued. Already this year new branches had opened at Cheadle and Oldham, and during this month the company would open retail outlets at Sale and Northallerton. These would be followed early in 1986 by branches at Dewsbury, Stockton, Newcastle, Gateshead and Hull.

Paris office sale boosts Country and New Town

THE SALE of the Colgate/Palmolive Building in Paris helped increase taxable earnings for Country and New Town Properties by more than three times in the six months to July 31 1985.

Gross rental income fell by 5 per cent from £5.98m to £5.67m because of the strength of sterling. Country and New Town gets more than 80 per cent of rental income from overseas. However pre-tax profit was £4.93m, against a comparable £1.54m.

Earnings per 10p share were stated at 1.86p (1.32p) and the interim payment has been raised to 0.6p from 0.5p. Last year there was a total payment of 1.5p from taxable earnings of £3.48m.

Tax was £1.92m (£681,000) and minority interests took £2.17m (£253,000) leaving attributable profits at £842,000 against £601,000. Dividends absorbed £274,000 (£228,000).

For the full year the board is confident that following a revaluation of the property portfolio the results will be satisfactory.

Mr Gerald Newton, chairman, says it has been decided not to re-open the Civil Service Store, Strand, London, which was closed following a fire in July 1982. It is intended to let the 37,000 sq ft retail space on the redeveloped site.

He adds that the 46,000 sq ft of office space in the development has been let at initial cent of about £1m per year.

During the period the company acquired an interest in a 40-acre development adjoining the new Merrill Lynch headquarters at Plainsboro, New Jersey. Plans for a joint development with the John E. Wiltshier Group include a 220,000 sq ft shopping centre.

In the present half Leicester House, Leicester Square, a 35,000 sq ft freehold shop and office building, was bought for £6.5m.

Arenson looks for improvement

Arenson Group's shareholders were told yesterday by a confident Mr Archy Arenson, the chairman, that the outcome for the current year should be good and improve over last year.

"Overall market conditions appear to remain favourable," and investment made over recent years "is now paying off," he said.

Arenson, based in St Albans, Hertfordshire, manufactures office equipment and furniture.

Yesterday's annual meeting was also told that Arenson should be able to maintain the momentum set in the previous year, which saw pre-tax profits climb from £360,000 to £569,000.

"The improvement in the strength of our balance sheet, with lower gearing and higher stock turn ratios, remain a high priority with the board, and I am most hopeful that further useful improvements in these matters should be achieved by the end of the current year," said Mr Arenson.

BOARD MEETINGS

TODAY

Interims: Allied Colloids, Cape Industries, Coalite, Godfrey Davis, Equity Consort Investment Trust, Feedback, Goe-Rosen, Geevor Tin Mines, Illingworth Morris, Leopold Joseph, Lister, Mountview Estates, PWS International, Pegler-Hattersley, Robertson Research, Christian Salvesen, TR North America Investment Trust.

Finals: Avon Rubber, BOC, Grainger Trust, Hardanger Properties, Holmes and Marchant, Saatchi & Saatchi.

FUTURE DATES

Interims:	
Anderson Strathclyde	Dec 11
Fairbriar	Dec 10
Gibbon Lyons	Dec 19
Havelock Europa	Dec 11
Lysander Petroleum	Dec 9
Michael (John) Design	Dec 6
Monk (A.)	Dec 13
Old Court Currency Fund	Dec 12
Finals:	
Eurotherm International	Jan 16
Irish Distillers	Dec 11
McLeod Russel	Dec 10
Mercury Selected Market Trust	Dec 5
Nash Industries	Dec 16
Nottingham Brick	Dec 10
Piccadilly Radio	Dec 13
Scottish American Investment	Feb 12
Vaux	Dec 10

LADBROKE INDEX
1,127-1,131 (+6)
Based on FT Index
Tel: 01-427 4411

POLLY PECK INTERNATIONAL PLC

EXTRACT FROM THE CHAIRMAN'S STATEMENT

The Group has maintained a good record for the year to 31st August 1985 with sales rising by 50 per cent to £205.5m and pre-tax profits by 21 per cent to £61.1m. Earnings per ordinary share rose from 48.7p to 52.6p.

The Electronics Division made considerable progress in the year towards establishing itself amongst the first rank of CTV, VCR and audio equipment producers in Turkey. Sales for the Division in the year totalled £28.1m and it made a contribution to pre-tax profits of £1.9m.

PRELIMINARY RESULTS

for the financial year to 31st August 1985

	1985	1984	Increase
Turnover	**£205.5m**	£137.2m	50%
Profit before taxation	**£61.1m**	£50.5m	21%
Profit after taxation	**£50.5m**	£43.8m	15%
Earnings per share – basic	**52.6p**	48.7p	8%
Total net dividend per share	**5.25p**	3.50p	50%

The Board has decided to recommend a final net dividend of 3.75p per 10p share, payable on 4th April 1986 to shareholders on the register at 7th March 1986. Including the interim dividend of 1.5p per share, this represents an increase in the total dividend for the year of 50 per cent.

The main Agriculture, Food and Related Industries Division achieved record sales and produced an excellent overall performance contributing £53m to pre-tax profits on turnover of £143.5m. The Division continued to expand its markets, with Western Europe and the Comecon markets becoming increasingly significant, although the Middle and Near East remained very good markets.

Production performance at the Unipac plants has again achieved record levels and new machinery is being installed to ensure continued peak production performance.

The Niksar Mineral Water bottling plant operated successfully during the year and for the eleven month period prior to full consolidation made a contribution of £1.9m to the share of results of related companies.

The Textile Division, which has been enlarged by virtue of the acquisition of Inter-City Investment Group plc, had a rather disappointing year. Sales were improved but profits fell overall. The Division's turnover (excluding the Hong Kong associated company) amounted to £55.9m and it contributed pre-tax profits of £3.8m.

The Group's markets expanded internationally while its presence within Turkey was significantly strengthened. Small but important footholds were acquired in the Far East and the U.S. Progress was also achieved against a background of extreme currency market volatility. The Board regards the overall sales and profit growth as satisfactory and as providing a sound base for future operations.

The past year was one of considerable development in all divisions. Trade for the opening months of the current year is up on that for the corresponding period in 1984, and the Board looks forward to a satisfactory year while continuing to consolidate the development of existing operations within its available resources.

POLLY PECK INTERNATIONAL PLC
81-91 Commercial Road, London E1 1RD Telephone: 01-377 9000

FT COMMERCIAL LAW REPORTS

Redundant driver disqualified for benefit

CARTLIDGE v CHIEF ADJUDICATION OFFICER
Court of Appeal (Lord Justice Oliver, Lord Justice Ralph Gibson and Lord Justice Anthony Lincoln): November 28 1985

A PERSON who may benefit retrospectively from settlement of a trade dispnte is "directly interested" in the dispnte though he does not participate, and is therefore disqualified from receiving emplnyment benefit if, during a work stoppage, pickets prevent him from getting tn work; and the disqualificatinn does not expire upon his returning tn work befnre the stoppage is over or upon his subseqnent dismissal fnr redundancy, but survives fnr as lnng as the stnppage continues.

The Court of Appeal so beld when dismissing an appeal by Mr Leslie Cartlidge from a decision by a tribunal of Social Security Commissioners that be wsa disqualified from receiving unemployment benefit from Merch 23 1984 to November 20 1984.

Section 19 of the Social Security Act 1975 provides: "(1) A person wbo has lost employmeni . . . by reason of a stoppage of work . . . due to a trade dispute at his place of employment shall be disqualified for receiving unemployment benefit so long as the stoppage continues, except . . . where, during the stoppage, he has become *bona fide* employed elsewhere . . . but this subsection does not apply in the case of a person who proves —(a) that he is not participating in . . . nr directly interested in the trade dispute . . ."

* * *

LORD JUSTICE RALPH GIBSON said that Mr Cartlidge was a member of the National Union of Mineworkers and had for many years worked as a driver st Florence Colliery in Longton.

In mid-1983 he applied to the National Coel Board for voluntary redundancy.

On March 5 1984 the NUM approved strike action. On March 10 Mr Cartlidge was given 12 weeks' notice on the ground of redundancy. On March 23 the employeas at Florence Colliery withdrew their labour and there was a stoppage of work from that dete.

Mr Cartlidge was prevented from working by pickets for three weeks, from Marcb 23 to April 13, and thereafter, apart from eight days, was at work until his employment ended by reason of redundancy on June 2.

He was unable to find other work and claimed unemploymeni benefit on June 5. On July 20 the Adjudication Officer decided he was disqualified from receiving unemployment benefit from March 23, for as long as the stoppage should contione.

He appealed unsuccessfully to the Social Security Appeal Tribunal which found that the disqualification ended on August 20 1984 when there was a sufficient resumption of work. The edjudication officer appeeled to the Tribunal nf Commissioners against the conclusion that the stoppage had ended as early as August 20.

The tribunal found that Mr Cartlidge was disqualified from receiving benefit up until November 20 1984, on the ground that he bad "lost his omployment . . . by reason of a stoppage of work . . ." under section 19 of the Social Securily Act 1975.

He could escapa disqualification if he could prove tbat be came within the proviso in section 19(1) that be was not "participating or directly interested in the trade dispute whicb caused the stoppage."

He was able to show that be did not participate, but could not satisfy the tribunal that be was not "directly interested." The tribunal found that the stoppage was dne to a dispute es to weges and pit closures. Mr Cartlidge's interest in the retrospective application by the NCB of the eventual settlement made bim "directly interested."

The fact that the immediate and effective ceuse nf his loss of employment was redundancy was regarded as irrelevant. The section imposed disqualification for "so long as the stoppsge continues." When Mr Cartlidge lost his employment because of redundancy, the stoppage was still continuing, though it had not stopped him from working.

On the present appeal from the tribunal, Mr Drabble, for Mr Cartlidge, contended that (i) disqualification should oot apply when employment was terminated by redundancy; (ii) it should not apply to a claimant wbo, baving lost employment for a period by reason of stoppage, resumed it until his employment was termineted for reasons unconnected with the dispute; (iii) that the tribunal was wrong in holding that the trade dispute was concerned with wages; and (iv) that the tribunal was wrong in bolding that a person prevented from getting to work by violent picketing had "lost employment . . . by reason of stoppage of work."

That last point could not succeed. "Stoppage of work" was not defioed in the Act. The qnestion whether ii had occurred and bow long it continued were questions of fact.

A claimant lost employment by reason of a atoppage of work if the stoppage was the effective cause of his not working. If enough people stayed away for a stoppage to result, than all those wbo lost employment by the event, whether by choice or by the actions of others, lost employment by reason of the stoppage of work.

The third ground of appeal also feiled. The evidence showed that the dispute was concerned with pit closuras and with pay.

There remained the first and second grounds. The first contended that disqualification sbould not opply wbere employment was terminated through redundancy.

Mr Drabble acknowledged that the court could not uphold the submission without reversing a similar decision of a Tribunal of Commissioners in 1972, *decision R(U) 12/72*, and a supporting line of authority.

Tbe principle in *R(U) 12/72* was that disqualification, once incurred, was for the duration nf the stoppage. Having regard to the consistent line of decisions, It would not be right to depart from them.

In *R v National Insurance Commissioner ex parte Strotton [1979] QB 361, 369* Lord Denning MR said: "If e decision of the Commissioners bes remained undisturbed for a long time . . . and has been ected upon by all concerned, it sbould normally be regarded as binding. Tbe High Court should not interfere with it save in exceptional circumstances."

Thet was approved by Lord Brandon in *Presho v DHSS [1984] AC 310*.

On the remaining ground of appeal the only known decision in point was that of Mr Commissioner Monroe in *CU/9/1985*.

The Commissioner found that the stoppage had come to an end before the claimant's employment was terminated for redundancy, and on that ground alone was entitled to succeed.

But be also based his decision on the further ground that the principle in *R(U) 12/72*, that disqualification was for the duration of the stoppage, was not applicable where the claimant bad regelned his employment.

The tribunal in the present case declined te follow him. It said: "Once section 19(1) applies it continnes to apply throughout the stoppage . . . Individual workers do not . . . bob in and out of section 19(1) according to wbether they work on some days and not oo others."

Mr Drebble submitted that Mr Commissioner Monroe's decision was rigbt.

Mr Laws, fnr the DHSS, said that to accede to Mr Drabble's argument was to ignore the faci that the section expressly stated when the disqualification was *not* to continue for so long as the stoppage continued—namcly wben the person became *bono fide* employed elsewhere. He contended that the argument required the court to read section 19 as *if* nther excepting cases were added to it, such as redundancy or the regaining of employment.

Mr Laws's submission must be accepted. The tribunal's construction of tbe Act was in accordance with the ordinary and natural meaning of the words, and with a line of decisions which it would not be rigbt to overturn.

The appeal should be dismissed.

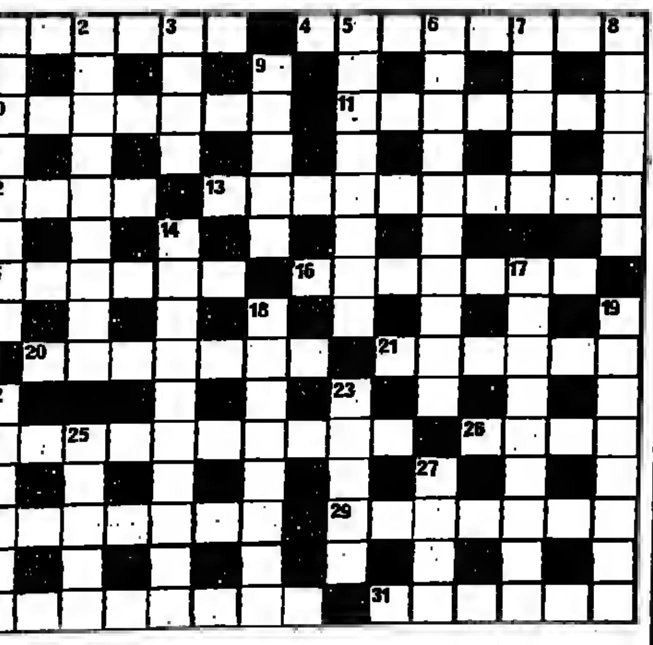
Lord Justice Oliver and Lord Justice Anthony Lincoln concurred.

For Mr Cartlidge: Richard Drabble (Seifert Sedley Williams).

For the Chief Adjudication Officer: John Laws (solicitor, DHSS).

By Rachel Davies
Barrister

FT CROSSWORD PUZZLE No 5,890



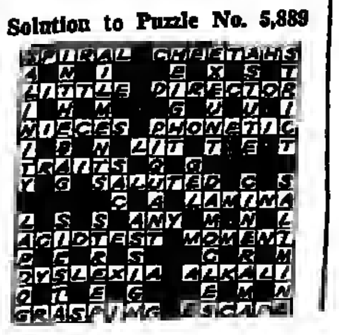
ACROSS

1 Snldier is unable retract declaration. (6)
4 Article about dental trouble in the islands. (8)
10 Another word for tank to hold rain perbaps. (7)
11 He lays charge as copper reces wildly round. (7)
12 Get sly look over dance. (4)
13 Rocket for athlete going on run without clothes. (4, 6)
15 To obtain forcibly by letter is wrong. (6)
16 Speaks at length about having to put a cover on. (7)
20 What baby may do to draw first flower. (7)
21 First house on borders to have fences. (6)
24 Sportsman having right to assist with incursion into neighbour's territory. (6, 4)
26 One's performance in game. (4)
28 Give illustration about axle-pin. (7)
29 Lays bare ettitude about sex? (7)
30 Pedals to find lad lost in wood perbaps. (8)
31 Looked after things when inclined. (6)

DOWN

1 Composer was first to become twisted. (8)
2 Complain at having to go in with wood-worker. (9)
3 One attempt to pen cattle. (4)
5 Sceptical scholar. (8)
6 Sporting occasion causing a tax scare? (5, 5)
7 Publication for children. (5)
8 Blow fnr oarsman. (6)
9 Calm retort. (5)
14 Antiquary taking horse over ploughed field (6, 4)
17 Attention absorbed by need to nrder about twelve dozen. (9)
18 City-girl. (5)
19 Psychic powers love employed to become engaged. (7)
22 Missing sailor in ecstasy (6)
23 One who exists fnr the organ (5)
25 Regret about exercise in foreign currency. (5)
27 Some chaps entering ecclesiastical recess. (4)

Solution to Puzzle No. 5,889



APPOINTMENTS

New chairman at Diners Club International

Mr Nick Rowe, managing director of DINERS CLUB INTERNATIONAL in the UK since 1982, bas been appointed chairman. He succeeds Gen Sir Victor FitzGeorge-Balfour, chairman since September 1977, wbo is retiring. Mr Rowe will continue as managing director.

★

The money broking department of Sheppards and Chase has been transfered to SHEPPARDS MONEYBROKERS. The directors will be Mr P. G. B. Wills, chairman, Mr F. H. Lowry-Chase, vice chairman, Mr T. S. Hibbitt, and Mr J. A. Davies.

★

Mr Peter Williams bas been appointed deputy chairman of BUCKLEY INVESTMENTS and chairman of the executive committee which is responsible for managing the affairs of the company. Buckley Investments is the parent company of the Miller Buckley Group. Mr Williams remains a non-executive director of Bass.

★

Mr Andrew Berkeley has been apoinied director, legal affairs STC. He joins the company from the British Netional Oil Corporation, where be was corporate secretary and general manager, legal and participation.

★

SAC INTERNATIONAL bas appointed Mr Thomas P. Brennan as sales and commercial director. He was with Wastland as international sales director of the belicopters and bovercraft division.

★

At ST. JAMES'S CORPORATE COMMUNICATIONS Mr John Hall, a director, becomes vice chairman from January 1. Mr Malcolm Wallis and Mr Don Kennedy, associate directors, become directors. Mr Kennedy is a director of St. James's Public Relations. Mr Charles Bachrach end Mr Jim Jeffrey, media managers, become associaie directors.

★

Mr Nicbolas Royds has been appointed chairman of EJP TEAM PUBLIC RELATIONS. Mr Edwin Protheroe has become chief executive and Mr Brian Stockdale a director, with special responsibilities for the north. Ms Sne Hunt will be an associate director in charge of consumer accounts.

★

LEOPOLD JOSEPH HOLDINGS bas appointed Mr Peter Rees as joint deputy chairman. Mr George Blunden has relinquished his poot as joint deputy chairman following his appointmeot as Deputy Governor of the Bank of England.

★

The CLARKSON PUCKLE GROUP bas appointed Mr Robbie Neulaender as managing director of Clarkson Puckle Overseas.

★

The INDEPENDENT BROADCASTING AUTHORITY, has appointed Mr A. L. Witham as its deputy director of engineerіog. He has been assistant director of engineering (policy) since 1978, and was one of the small grouo of engineers who joined the IBA (then ITA) at the start of independent ielevision in 1955.

★

Mr Malcolm McPherson has been appointed a developmeot director with Stockley. He was e director of Huntingate Developments.

★

THE THROGMORTON TRUST bas appointed Sir Victnr Garland and Mr F. J. Loach as directors, and Mr R. W. Seabrook as deputy cbairman. Sir Victor bas also been appointed a director and Mr Seabrook deputy chairman of The New Throgmorton Trust (1983) and The Throgmorton Secured Growth Trust.

★

Sir George Jefferson has been appointed a director of LLOYDS BANK from January 1. Sir George Is chairman and chief executive of British Telemunications a director of Babcock International.

★

Mrs Wencbe Marshall Foster, previously director of trade, bas been appointed chief executive of AQUALAC (SPRING WATERS), wholly-owned UK subsidiary of tbe French company which markets Perrier.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Allied Dunbar Assurance Plc
Allied Dunbar Ctr, Swindon SN1 1EL 0793 28291

Fixed Int. Dep. Acc	210.6	211.7	-	-
Equity Acc	546.1	575.1	-	-
Property Acc	307.5	323.7	-	-
Far East Acc	103.7	109.2	-	-
Managed Cap	282.3	297.2	-	-
Managed Acc	448.2	471.8	-	-
O'seas Earnings Acc	359.1	378.1	-	-
Gilt Edged Acc	245.5	258.5	-	-
American Equity Acc	310.0	326.4	-	-
American Man Acc	152.1	160.2	-	-
American Prop Acc	111.7	129.2	-	-
Pen. F.I. Dep. Cap	231.7	243.9	+0.3	-
Pen. F.I. Dep. Acc	350.8	369.3	+0.8	-
Pen. Prop. Cap	373.4	393.1	+0.9	-
Pen. Prop. Acc	624.8	657.7	+1.9	-
Pen. Man. Cap	565.8	595.6	-6.0	-
Pen. Man. Acc	945.5	995.3	-9.3	-
Pen. Gilt Edg. Cap	254.3	267.7	+0.2	-
Pen. Gilt Edg. Acc	347.3	365.6	+0.5	-
Pen. Eq. Cap	897.0	944.3	-14.7	-
Pen. Eq. Acc	1136.1	1195.9	-17.7	-
Pen. Am. Eq Cap	118.4	124.7	-0.9	-
Pen. Am. Eq Acc	126.5	133.2	-0.9	-
Pen. Far East Cap	113.2	119.2	-4.1	-
Pen. Far East Acc	120.9	127.3	-4.3	-
Pen. B.S. Cap	243.1	255.9	+0.4	-
Pen. B.S. Acc	358.3	376.3	+0.9	-
Pen D.A.F. Cap	195.1	195.1	+0.3	-
Pen. D.A.F. Acc	256.2	256.2	-0.6	-
Pen. Mortgage Cap	109.5	115.3	-0.2	-
Pen. Mortgage Acc	117.0	123.2	-0.3	-

Ambassador Life Ass. Co Ltd
80 Holdenhurst Rd, Bournemouth 0202 292345

Equity Fd Acc	106.9	112.6	+0.1	-
Equity Fd Cap	100.3	105.6	+0.1	-

Confederation Life Insurance Co
50 Chancery Lane, WC2A 1HE 01-242 0282

Life Funds			
Managed Fund	502.9	529.3	
Equity Fund	581.2	611.7	
International Fund	190.4	200.4	
Fixed Interest Fund	165.7	174.4	
Property Fund	121.4	127.7	
Index Linked Fund	107.6	113.2	
Cash Deposit Fund	120.9	127.3	
PIP Fund		1,590.8	
Individual Pension Funds			
Personal Pens Managed	303.0	318.9	
Skillguard Manage Pen	303.0	318.9	
Group Pension Funds			
Group Mixed Pension		808.1	
Equity Pension		1,312.4	
International Pension		253.9	
Fixed Interest Pension		627.5	
Property Pension		490.5	
Index Linked Pension		110.1	
Cash Deposit Pension		162.0	

Continental Life Insurance PLC
64/70 High St, Croydon CR0 9XN 01-680 5225

Equity Acc	265.0	279.0
Property Acc	247.3	260.4
Int Acc	179.1	188.6
Managed Acc	226.8	238.8
Secs Sits Acc	194.5	204.8
Investment Tst Acc	110.6	116.5
Pen Int Acc	190.3	200.4
Pen Prop Acc	319.1	335.9
Pens Equity Acc	420.6	422.8
Pen Mngd Acc	251.7	265.0
Pens F & C Man Acc	109.3	115.1
Pens Inv Trust Acc	129.6	136.5

Prices for other funds available on 01-377 8642

Cornhill Insurance PLC

INSURANCES

INSURANCE, OVERSEAS & MONEY FUNDS

Australian Gen Mngt Ltd
48 Athol Street, Douglas, IoM 0624 20845

Aust Gen Fund	306.53	47.24	+0.02	—

Next dealing date, December 2

BIA Bond Investments AB
10 Baarerstrasse CH6301, Zug, Switzerland

Barer Std November 29	SF10 925	11,500		—

BNP Inv Mgmnt (Jersey) Ltd
PO Box 158, St Helier, Jersey 0534 76011

BNP Intercurrency Fund Ltd

US Dollar	$10.21		—
Sterling	£10.29		—
D-Mark	DM30.51		—

BNP Interequity Fund Ltd

North American	$10.14	10.56		—
Far East	$10.64	11.08		—

Julius Baer Bank & Trust Co Ltd
Butterfield House, Grand Cayman

Liquibaer J. Baer SFd.	S1,364	1,365		—
S-Baer, J Baer$Fd*	$1,047	1,052	+3	
DM-Baer, J.BaerDMFd*	DM1,028	1,033	+2	—

*Plus charge

Bamford Brandt Guernsey Mngt. Ltd
PO Box 71, St Peter Port, Guernsey 0481 26541

Tech and Curren.	£7 37	7.82		—
Pac. Basin Fund	$36.51	38 70		—

The Bangkok Fund
Bangkok First Inv & Trust Ltd (Inv Advisors)
300 Silom Road, Bangkok, Thailand

NAV Nov 27 BAHT 261,208.21 (US$10,007.98)

Bank of America International SA
35 Boulevard Royal, Luxembourg GD

EBC Trust Company (Jersey) Ltd
3-5 Seale St, St Helier, Jersey 0534 36331

International Income Fund

US$ Dep Short A	$1.5070	−0.0012	—	
Do. Dist	$1.0068	−0.0008	—	
Med Cur. Sh't term B	31 1012	−0.0114	—	
Do Dist	$0 9688	−0.0085	—	
Eurobd Long Term	$25.55		10.80	

European Banking Traded Currency Fund*

Income	$10.67	11 030	−0.114	8.26
Capital	$12.20	12.586	−0.134	8.36

*Offer price includes 3% prelim. charge

European Banking Currency Income Fund*

Income	£0 95	10 4980	+0.0315	—

*Offer price includes 5% prelim. charge

The English Association
16 Athol St, Douglas, Isle of Man 0624 20738

E.A. Far East	$11.23	11.83		—

Next dealing Dec 6

Ermitage Management Ltd
19 Royal Square, St Helier, Jersey, CI 0534 76007

External Fund	$22.09	22.31		—
Bond & Cash Fd	£10.44	10.51		4.00
Cash Fund	£21.20			—

Ermitage Management Cayman Ltd
PO Box 2192, Grand Cayman, BWI

GAM Ermitage Inv Inc	$17.14		—
GAM Ermitage I M	$17 46		—
Cayman Cash Fd	311.51		—

Eurolife Assurance Group
5-11 Mortimer St, London W1N 7RH 01-631 0778

World Fund SA
2 Boulevard Royal, Luxembourg

World Fund NAV	$13 94		−0 4	—

World Wide Growth Management
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd	$24 04		−0 13	—

Inv Adv.: M & G Inv Mngt., Ltd, London.

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech	$10 88		−0 03	—
Dynamic Gwth Fd	311.94		+0 05	—

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268

Zero Bond Fund	$10.13	10.75		—

Money Market Trust Funds

	Gross	Net	Gr Equiv CAP	Int Cr
The Charities Deposit Fund 77 London Wall, London EC2N 1BB 01-588 1015				
Deposit	11 15			3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST 01-236 0952				
Call Fund	11.81	8 82	12 95	Mth
7-day Fund	11 65	8.71	12.29	Mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fund	11 24	8.39	12.24	6-Mth
7-day Fund	11 09	8.29	12 09	6-Mth
Dollar	7 53		—	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAP	Int Cr
Adam & Co. plc 22 Charlotte Sq Edinburgh, EH2 4DF 031-225 8484				
Full Service Cur Acc.	11 00	0 00	11 78	Qtr
Aitken Hume 30 City Road, EC1Y 2AY 01-638 6070				
Treasury Acc	11 00	8.22	12.11	Qtr
Min. Int. Chq	11.000	8.22	12 16	Ann
Allied Arab Bank Ltd 91-101 Cannon St, London, EC4N 5AD 01 283 9111				
HIBCA	11 50	8.60	12 78	mth
Bank of Scotland 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc.	11 00	8.2	12 18	Mth
Barclays Prime Account				

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yield % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ● Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ◉ Yield column shows annualised rates of NAV increase or dividend.

OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	28
BAT	26
BOC Grp	27
BSR	8
BTR	33
Babcock	13
Barclays	33
Beecham	30
Blue Circle	50
Boots	18
Bowaters	30
Brit Aerospace	32
Brit. Telecom	17
Brown (J.)	3½
Burton Ord	45
Cadburys	13
Charter Cons.	18
Comm Union	23
Courtaulds	13
Distillers	36
FNFC	12
Gen Accident	55
Gen Electric	14
Glaxo	180
Grand Met	30
GUS 'A'	70
Guardian	60
GKN	20
Hanson Tst.	18
Hawker Sidd	36
ICI	42
'Imps'	16
Jaguar	27
Ladbroke	27
Legal & Gen	60
Lex Service	24
Lloyds Bank	35
Lucas Inds.	38
Marks & Spencer	13
Midland Bk	35
NEI	18
Nat West Bk	55
P & O Dfd	35
Plessey	14
Polly Peck	21
Racal Elect	15
RHM	12
Rank Org Ord	35
Reed Intnl	60
Sears	11
TI	35
Tesco	24
Thorn EMI	34
Trust Houses	12
Turner Newall	9½
Unilever	90
Vickers	35
Property	
Brit Land	14
Land Secs	26
MEPC	26
Peachey	24
Samuel Props	13
Oils	
Brit. Oil & Min.	3½
Brit Petroleum	45
Burmah Oil	27
Charterhall	4
Premier	5
Shell	55
Tricentrol	18
Ultramar	18
Mines	
Cons Gold	40
Lonrho	12
Rio T Zinc	50

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Congress tries to unite Farm Bills

BY NANCY DUNNE IN WASHINGTON

THE US Congress tomorrow gets down to work on trying to unite its two different versions of the 1985 Farm Bill in a manner acceptable to the President and both chambers.

Mr John Block, the Agriculture Secretary, is on hand trying to keep down the costs of the Bill. In September he had pronounced himself "apalled" by the measure produced by the House Agriculture Committee, although he had not then seen the cheotic jumble the Senate would produce late last month.

The contradictions in the two bills are meny—almost as many as within the Senate Bill alone. But there are points of agreement.

Both bills continue the traditional prop of loan price supports. Farmers can repay their loans at harvest time or, if prices fall, they can default on their loans and let them go into government atocks. Both bills, too, give the Administration the declining loen support levels it wanted "to meke US agricultural exports more competitive."

The Secretery of Agriculture will even be allowed to determine the final level of the loan support cuts, but there is a major catch: The lower he drops them the more the Administration will have to pay out to farmers in subsidies and other favours.

The House Bill essentially provides five years of income protection for wheat and feed grains producers by keeping subsidy levels fairly constant. The Senate programme scorns such simplicity.

First, it would give feed grains producers subsidies at their current level for one year with annuel reductions of up to 5 per cent in 1987-89. But, to offset the cuts, farmers would receive government surplus commoditiea equal in value to the cuts in 1987 and 1988.

With majority leader Mr Robert Dole of wheat-producing Kanses shepherding this legislative monstrosity through the upper house, wheat producers could scarcely be overlooked. If the Senate forces prevail, they will get:

- A new "marketing loan" which allows part of their loan supports to be "forgiven" if the market price is less than the amount borrowed.
- A new three-yeer programme which would pay higher subsidies to farmers who idle more of their land.
- A referendum allowing them to vote on an alternative system of production and marketing controls with higher price supports.

Robert Dole: chepherding this legislative monster

A different set of confusing choices faces American soyabean producers. The House Bill sets the basic loan support rate at $5.02 a bushel—then allows the Agriculture Secretary to drop it. The subsidy level is keyed to the average market prices for three of the past five years.

The Senate also sets the soyabean loan rate at $5.02 for next year. There the similarity in the two Bills ends. Loan retes would fall over the next four years and to discourage producers from leaving their beans in storage, those who redeem their stocks will get direct payments of $35 an acre—of which $5 would be paid in Government-owned commodities.

Much to the Administretion's disgust, the House Bill essentielly raises deiry price supports by tying them to an adjusted cost of production index, elthough the Bill provides for a two-yeer diversion programme to control production. The Senate Bill cuts dairy price supports beginning in 1987.

Swedish group takes lead and zinc mine stake

By Kevin Done in Stockholm

BOLIDEN, the Swedish minerals, metels and chemicels group, hes taken e minority stake in the Faro lead and zinc mine in the Yukon, Canade and is to become chief agent for sales from the mine.

Boliden said the deal would make it one of the world's leading zinc traders and would double its sales of zinc and lead.

The deal has been agreed with Curragh Resources, the Cenadien mining group. Boliden has paid about C$5m (£2.5m) for a stake of about 10 per cent in the mine.

The Faro mine is expected to produce about 350,000 tonnes a year of zinc concentrate and 170,000 tonnes of lead concentrate with output sterting in May 1986.

As part of the agreement with Curragh Resources Boliden is guaranteed exclusive global marketing rights for the Faro production. Boliden said that it plans to co-operate with Mitsui the Japanese trading house

Boliden is also to sell technology to the Canadian company as part of the deal and deliveries of leed from the mine should help to safeguard supplies

Canadian gold prospects brighten

BY BERNARD SIMON IN TORONTO

THE PROSPECT of a large gold discovery in north-west Quebec has sparked off a stampede for a handful of mining shares on the Vancouver and Toronto stock exchanges.

The share price of Golden Hope Resources of Vancouver, which owns mineral rights in the Casa Berardi area ner the Quebec-Ontario border, has shot up from 30 Canadian cents to C$6.87 in the past month. Investors have also rushed to buy shares in the energy and mining group Teck Corp, which is handling exploration work on the Golden Hope property.

Teck's market capitalisation has soared by about C$100m (£49m) in the past fortnight, with its share price reaching a four-year high of C$17.63 at the start of trading on the Toronto Stock Exchange yesterday. Teck announced late last month that the first diamond drill hole on the Golden Hope Property indicated a "massive" sulphide section as wide as 36 feet with grades of 0.2 ounces of gold per ton, 9.15 oz of silver, 3.1 per cent copper and 15.4 per cent zinc.

Results from another hole, released yesterday appeared to confirm the high grade mineralisation. Further assays are due to be released shortly. Judging by these initial results, the geology of the area appears to be similar to that of the well-established mining camps in northern Ontario and north-west Quebec where the bulk of Canada's gold has been produced.

According to Toronto mining analysts, Teck's involvement in the Golden Hope discovery adds credibility to the results. Mr John Lydull of First Marathon Securities said that "it's obviously an important base metal discovery, but whether it's worth all the hype we don't know at this point."

Share prices of other companies with claims et Casa Berardi Camp have also moved up sharply. They include Western Pacific Energy and Boulder Mountain Resources.

The new discoveries have pushed trading volumes on the Vancouver Stock Exchange to their highest levels in more than two years, a total of 23.9m shares changed hands on Monday, more than double normal trading volumes in recent months.

WEEKLY METALS

All prices as supplied by Metal Bulletin.

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warehouse, 2,750-2,820.

BISMUTH: European free market, min 99.99 per cent, $ per lb, tonne lots in warehouse, 2.90-3.95.

CADMIUM: European free market, min 99.95 per cent, $ per lb, in warehouse, ingots, 0.69-0.73, sticks, 0.74-0.78.

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 10.85-11.05.

MERCURY: European free market, min 99.99 per cent, $ per flask, in warehouse, 260-275.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.64-2.70.

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 7.00-7.25.

TUNGSTEN ORE: European free market, standard min 65 per cent, $ per tonne unit WO, cif, 57-65.

VANADIUM: European free market, min 98 per cent V O, other sources, $ per lb V O, cif, 2.15-2.20.

URANIUM: Nuexco exchange value, $ per lb U O, 16.75.

Stefan Wagstyl on the Peat, Marwick report about ITC finances

Opening a tin can of worms

THE SEARCH for a settlement has not always been uppermost in the minds of those involved in the International tin crisis.

Ever since tin trading was suspended six weeks ago, the hunt has also been on for scapegoats. On the London Metal Exchange, some brokers, facing multi-million pound losses, heve neturally attempted to find culprits beyond the doors of their own offices.

At the same time, some of the delegates of the 22-member International Tin Council, horrified by the size of the council's debts to the brokers and to banks, heve also tried to distance themselves from the disaster.

Some brokers tried to pin the whole bleme on the tin council. Some tin council delegates reacted by accusing the brokers. The people caught in the middle of this crossfire were the tin council's permanent officials, especially its buffer stock manager Mr Pieter de Koning, who have both been attacked by both brokers and delegates.

These officials have been prevented from defending themselves publicly by instructions from lawyers not to make public statements during the crisis. But privately, they are incensed at whet they regard as slurs on their names. And they have argued vehemently in meetings with delegetes that whet they did had the approval of the council and fell within the spirit of the International Tin Agreement signed by the member governments.

This vigorous defence by Mr de Koning and his colleagues has helped to widen the whole debate over responsibility for the crisis. It has raised questions about the responsibilities of individual member governments of the tin council. And it has prompted suggestions that the rules of the International Tin Agreement, which set up the council, were themselves at fault.

The argument over responsibility for the crisis has been given new impetus by the widespread circulation of a confidential report by accountants Peat, Marwick, Mitchell on the tin council's finances.

In itself this report says nothing about who was to blame for the tin council running out of money—it wes no part of Peat Marwick's brief to find culprits. But the findings were immediately seized on by those hunting for scapegoats.

The main shock in the report for some tin council delegates and for many LME brokers was the size of the ITC's liabilities—£897m gross owed to brokers, the parent companies of two brokers, and to 14 banks.

These liabilities funded a much larger stock of tin than the LME brokers who have seen the accountants' report expected to find.

It was generally assumed by brokers that the bulk of the buffer stock manager's tin stockpile was held in official LME warehouses, whose stocks are revealed in statements published weekly. For the week of October 24, when the crisis broke, this total was 37,790 tonnes.

However, the report reveals that only 10,600 tonnes of the council's total 52,540 tonnes stockpile was in LME warehouses—the rest was in a non-LME warehouse in Rotterdam and in store in the Far East.

Formal international tin council talks on the crisis were yesterday adjourned until this afternoon.

Meanwhile informal discussions were set to take place between ITC members. One possibility was that the council will approach banks and brokers later this week to invite them to join in a rescue package, according to Reuters.

But the ITC also had an interest in the LME official stocks. According to the Peat Marwick report, a further 26,845 tonnes of tin was controlled by the ITC, but held by banks and brokers under deals called "special lends" and "special borrows." Almost all of this was in official warehouses.

These deals allowed the buffer stock manager to "park" tin with brokers for three-month periods, which were constantly being rolled over. In special lends the ITC sold tin to the parent companies of two LME brokers and agreed to buy it back at a fixed price three months later. In a special borrow the council took tin from a broker with a simultaneous deal to sell it back to him three months afterwards. The council paid only interest and commission and did not have to declare "borrowed" tin as part of its stockpile.

The special deals allowed the council to extend its influence over the market without exceeding its bank borrowing facilities—it had borrowed £282m against a limit of £290m according to Peat Marwick. At the same time, it could keep its declared stockpile—52,540 tonnes—within the limits set down by the Fifth and Sixth International Tin Agreements of 63,823 tonnes.

If the council had declared all the tin covered by special deals, its total would have been over 79,000 tonnes.

As a result, then, a much higher proportion of the world's tin was controlled by the tin council than had been suspected by the LME brokers.

This meant also that a fair slice of the tin council's purchases in the forward market—63,504 tonnes—were agreements to buy back its own tin. This is because brokers who took tin on special deals at fixed prices from the tin council covered themselves by selling in the forward market—and who was the biggest buyer in the forward market but the ITC?

The tin council's exposure (tonnes)

ITC metal stocks	52,540
Unpriced sales	6,810
Forward purchases	63,504
Special lends (buy-back stages)	6,815
Priced forward sales	−8,850
Price to be fixed	120,819

These revelations prompted some tin council members to cry foul as soon as the accountants' report was presented to an emergency ITC meeting on the crisis in the middle of last month. These delegates, followed subsequently by some LME brokers, tried to accuse Mr de Koning of over-stepping his mandate and of breaching the tin council's own rules.

But the charges did not stand up. Delegates quizzed Mr de Koning in a committee, which was at time likened to a "court of inquisition." The buffer stock manager was able to show that there was nothing new about special deals, and that he had kept the council informed about his transactions.

In some areas Mr de Koning argued that he had to keep things secret from his council for reasons of commercial confidentiality. It had been especially important to keep certain figures quiet because some of the delegations had LME brokers as advisers.

Mr de Koning was able to prove his points from the tin council's minutes. More generally, delegates could not deny that he had repeatedly warned them that the council was running out of money and needed more from the members to prevent a collapse.

The same arguments have raged over the scale of the buffer stock manager's forward transactions. Of his forward purchases totalling 63,504 tonnes, all but 675 tonnes were due for delivery before the end of January 1986. Against this his 59,100 tonnes of forward sales stretched out until January 1987.

Moreover, while the forward purchases were at fixed prices, most of the forward sales were unpriced.

Some delegates and not a few brokers argued that the mismatch of short-dated fixed price purchases and long-dated unpriced sales was a recipe amounting to over-trading on the buffer stock manager's part.

Once again, Mr de Koning was able to show that he had stuck to the rules of the International Tin Agreement. Article 28 of the Sixth (current) ITA specifically gave the buffer stock manager permission to deal in the forward market, as long as transactions were completed before the agreement expires in mid-1987.

But if Mr de Koning was not responsible for the crisis, who was?

It seems that some blame at least must fall on the shoulders of those brokers who struck special deals with the buffer stock manager. They claim that they acted without knowing the full scale of his activities.

The brokers are right to put part of the blame on the tin council. Delegates allowed Mr de Koning to build up liabilities which could not be met. As recently as September, the tin producing countries belonging to the Association of Tin Producing Countries, received a direct appeal for more cash from Mr de Koning. They promised £60m but did not pay up.

It seems that too few delegates understood the way that huge commitments can be made in the forward market with very slim resources. The wide discretion granted to Mr de Koning to keep silent on the full extent of his commitments may have been too great.

This secrecy was essential to his operations. Without it he could not have hoped to support a high tin price with very limited resources. But without it the disaster which now threatens the market could never have happened.

LONDON MARKETS

ROBUSTA coffee futures continued to trade actively in London yesterday, with fears of the drought damage to the key Brazilian crop still uppermost in dealers' minds. During the morning, following Monday's sharp rise in London and New York, prices surged to new five-month highs, with the March contract reaching £2,030 per tonne before dropping back to £2,007.50 at the close. The fall reflected profit-taking and came after New York failed to maintain earlier limit gains. Sugar futures, by contrast, eased off following their rise to the highest level since October 1984 on Monday. In late afternoon trading, cif raw sugar values were pressured by light profit-taking, with contracts down between $0.40 and $1.20 per tonne. The London Metal Exchange was generally quiet, with copper, lead and aluminium steady, and zinc and nickel slightly easier.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or −	High/low
Cash	651-5	+1.25	656/653.5
3 months	675.5-6.2	+1.25	681/675

Official closing (am): Cash 655 5-6 (646 5-7), three months 678-9 (670-.5), settlement 656 (647). Final Kerb close: 679.5-80.

Turnover: 47,550 tonnes.

COPPER

INDICES

FINANCIAL TIMES

Dec. 3	Dec. 2	M'th ago	Year ago
—	—	—	289.95

(Base: July 1 1952=100)

REUTERS

Dec. 3	Dec. 2	M'th ago	Year ago
1733.9	1708.4	1718.0	1391.0

(Base: September 18 1931=100)

DOW JONES

Dow Jones	Dec. 3	Nov 29	Month ago	Year ago
Spot	121.75	120.62	—	125.12
Fut.	122.35	122.34	—	126.76

(Base: December 31 1974 = 100)

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

	Dec. 3 1985	+ or −	Month ago
METALS			
Aluminium	£1100		£1100
Free Mkt.	$1020/40	+10	$1000/20
Copper			
Cash h Grade	£915.5	+2.6	£952.6
3 mths	£938.25	+5.5	£977.5
Gold Troy oz.	$322.75	+2	$324.75
Lead Cash	£267.75	+4.5	£275.5
3 mths	£274.75	+4.5	£276.65
Nickel			
Free Mkt.	181/201c		187/207c
Palladium oz.	$101.60	+0.1	$101.16
Platinum oz.	$348.00	+4.5	$324.00
Quicksilver	$270/280		$265/275
Silver troy oz.	410.45p	+5.25	422.55p
3 months	421.35p	+5.45	434.35p
Tin cash			
3 months			
Tungsten	$57.77	−3.84	$70.28
Wolfram 22.0lb	$58/64		$62/68
Zinc	£428	−1.5	£409
3 months	£430.5	−0.75	£413.6
Producers	$660/670		$660/670
OILS			
Coconut (Phil)	$390w	−2.5	$430
Palm Malayan	$382.5z	−2.5	$657.5
SEEDS			
Copra Phil	$240w		$265
Soyabean (U.S.)	$213.3	−1.3	$219.5
GRAINS			
Barley Fut. Mar.	£112.55	+0.05	£110.30
Maize	£141.60	+1.5	£134.00
Wheat Fut. Mar.	£115.10	−0.45	£110.90

US MARKETS

PRECIOUS METALS traded in tight range as participants awaited better indications on the longer term direction of oil prices, reports Heinold Commodities. Copper and aluminium came under scattered pressure from arbitrage selling linked to sterling weakness. Profit-taking and scattered trade selling pressured sugar as physical activity remained light. Cocoa weakened on favourable Bahian Coffee maintained a firm tone on good speculative based buying. Cotton gained ground on evidence of mill pricing below the market which touched off short-covering. Heating and crude oil declined ahead of the API report and Opec meeting despite colder temperatures in the North-east. Soyabeans strengthened in response to a USDA announcement that they would oppose any changes in the 1985 crop programme.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Dec	44.80	44.28	44.25	44.30
Jan	44.70	44.60	44.60	44.70
Feb	45.19	—	—	44.90
March	45.50	45.55	45.25	45.45
May	46.25	46.25	46.10	46.20
July	47.00	—	—	46.95
Sept	47.75	—	—	47.70
Dec	48.85	—	—	48.80
Jan	49.20	—	—	48.15
March	48.95	—	—	49.90

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
Jan	113.15	112.75	112.80	113.40
March	115.40	115.80	114.50	115.20
May	115.75	115.90	115.00	115.80
July	115.75	116.00	115.65	112.35
Sept	112.00	112.25	112.15	112.90
Nov	112.20	—	—	112.80
Jan	112.20	—	—	112.90
March	112.20	112.25	112.25	112.30
May	112.20	—	—	

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
Dec	347.0	—	—	348.2
Jan	349.0	353.0	348.0	351.2
Feb	350.0	352.0	352.0	276.6
April	352.1	355.0	351.0	353.8
July	355.1	356.5	355.0	356.8
Oct	358.5	358.0	358.0	360.3
Jan	363.6	—	—	365.3

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Dec	605.5	619.6	606.2	610.3
Jan	610.1	613.6	611.5	614.5
Feb	614.6	619.0	619.0	615.2
March	616.6	623.0	618.0	623.0
May	626.3	632.0	626.5	631.2
July	635.5	640.0	635.0	639.9
Sept	644.6	649.0	644.0	649.0
Dec	658.4	662.5	656.5	662.9
Jan	663.3	—	—	667.2
March	672.8	677.0	677.0	677.4

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
Jan	5.38	5.55	5.45	5.63
March	6.34	6.51	6.33	6.50
May	6.51	6.70	6.50	6.69
July	6.66	6.81	6.66	6.82
Sept	6.61	6.95	6.85	6.98
Oct	6.90	7.08	6.90	7.06
Jan	7.03	—	—	7.10
March	7.49	7.57	7.48	7.60

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
Dec	67.67	68.80	67.50	69.00
Feb	63.00	64.50	63.07	64.57
April	61.07	62.70	61.32	62.82
June	61.77	62.15	61.00	62.30
Aug	60.25	60.95	59.90	61.00
Oct	59.20	59.70	58.80	59.85

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar shows further rise

The dollar improved against leading currencies yesterday but met resistonce et the day's highe. Early trading saw the US unit in good domand in response to the covering of short positions. Interest centred on the dollar/D-mark rate and after opening around DM 3.5150, the doller rose steadily to DM 2.5350.

News of a 0.3 per cent rise in US leading economic indicators was much in line with market expectations although the previous month's figure was revised upwards from a rise of 0.1 to 0.4 per cent and this provided background support sufficient to push the dollar up to test DM 2.54. It was around this level that the dollar met resistance. Somo suggested that the market was displaying a new found maturity by not trying to push the dollar too far and arouse the central banks. However, others declared that yesterday's recovery had been inevitable but that the dollar's outlook remained gloomy.

Much will depend on the authorities' attitude towards the current expansion in US money supply and the timing of any possible cut in the discount rate. Poor fourth quarter GNP figures could also provide a clue on Fed policy. For the time being the dollar seems to be finding good support around DM 2.51 but hesitating at DM 2.54. From the day's high touched in the afternoon, the dollar retreated to DM 2.5250 after news of a surprise 5.5 per cent fall in US home sales. During the latter part of the day it recovered a little to finish at DM 2.5335, still up from DM 2.5210 on Monday. Elsewhere it rose to Y204.80 from Y204.05 and SFr 2.1120 compared with SFr 2.1035. Against the French franc it rose to FFr 7.7250 from FFr 7.6875. On Bank of England figures, the dollar's exchange rate index rose from 126.8 to 127.4.

STERLING — Trading range against the dollar in 1985 is 1.4885 to 1.0525. November average 1.4498. Exchange rate index 81.4 unchanged from the opening and Monday's close.

Sterling lost ground against the dollar to close at $1.4790-1.4800, a fall of 80 points from Monday. It was also weaker against the D-mark at DM 3.7475 from DM 3.7500 and Y303.0 compared with Y303.50. Against the Swiss franc it eased to SFr 3.1250 from SFr 3.1300 and FFr 11.43 from FFr 11.4350.

D-MARK — Trading range against the dollar in 1985 is 3.4510 to 2.5110. November average 2.5926. Exchange rate index 129.5 against 122.1 six months ago.

The D-mark lost ground against the dollar in Frankfurt yesterday as sentiment for the US unit improved. Fading hopes of an early cut in the discount rate together with some profit taking brought the dollar back from the 2½-year low it touched recently to finish at DM 2.5320, up from DM 2.5100 on Monday. Short covering early in the day prompted further demand for the dollar during the afternoon. The US unit had been fixed without Bundesbank intervention at DM 2.5325 from DM 2.5030 on Monday.

£ IN NEW YORK

	Dec. 3	Prev. close
£ Spot	$1.4805-1.4815	$1.4875-1.4885
1 month	0.43-0.40pm	0.44-0.43pm
3 months	1.18-1.13pm	1.16-1.10pm
12 months	3.70-3.60pm	3.68-3.66pm

Forward premiums and discounts apply to the U.S. dollar.

POUND SPOT — FORWARD AGAINST POUND

Dec 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.4730-1.4890	1.4790-1.4800	0.44-0.41c pm	3.45	1.20-1.16pm	3.19
Canada	2.0516-2.0629	2.0598-2.0623	0.45-0.36c pm	2.36	1.16-1.02pm	2.12
Nethlnd.	4.20¾-4.22½	4.21¼-4.22¼	2¼-2c pm	0.87	5⅞-5⅛pm	0.45
Belgium	76.00-76.35	76.05-76.15	23-18c pm	3.23	61-52pm	2.97
Denmark	13.53½-13.58½	13.55¾-13.56¾	3⅛-2⅜ore pm	2.43	8½-7¼pm	2.30
Ireland	1.2099-1.2158	1.2124-1.2134	0.22-0.08p pm	1.48	0.44-0.10pm	0.89
W. Ger.	3.73¾-3.75¼	3.74¼-3.75¼	2¼-2¼pf pm	7.00	6¼-6¼pm	6.60
Portugal	234.90-240.17	236.56-240.17	190-495c dis	−17.28	625-1625dis	−18.06
Spain	230.67-231.42	230.89-231.27	55-100c dis	−4.02	225-345dis	−4.93
Italy	2546¾-2559½	2552¾-2553¾	10-15lire dis	−5.88	20-27dis	−3.68
Norway	11.22½-11.28½	11.26¼-11.27¼	¾-1ore dis	−0.67	2-2½dis	−0.84
France	11.41¼-11.46¾	11.42½-11.43½	2¼-1¾c pm	2.03	5½-4½pm	1.73
Sweden	11.34½-11.39¼	11.36½-11.37½	¾-1½ore dis	−1.10	2⅝-3¼dis	−1.10
Japan	302-303¼	302½-303½	0.94-0.78y pm	3.43	2.84-2.65pm	3.62
Austria	26.26-26.34	26.31-26.34	11½-9½gro pm	4.70	33½-28½pm	4.71
Switz.	3.11¾-3.13½	3.12-3.13	2¼-2c pm	7.92	5¾-5½pm	7.28

Belgian rate is for convertible francs. Financial franc 76.30-76.40. Six-month forward dollar 2.15-2.10c pm. 12-month 3.70-3.55c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

Dec 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.4730-1.4890	1.4790-1.4800	0.44-0.41c pm	3.46	1.20-1.10pm	3.10
Ireland†	1.2160-1.2268	1.2200-1.2210	0.25-0.15c pm	1.67	0.85-0.55pm	2.29
Canada	1.3900-1.3912	1.3907-1.3912	0.12-0.15c dis	−1.17	0.37-0.42dis	−1.14
Nethlnd.	2.8265-2.8600	2.8505-2.8515	0.62-0.58c pm	2.56	1.66-1.63pm	2.32
Belgium	51.06-51.62	51.40-51.50	¼-1½c dis	−0.23	2-4dis	−0.23
Denmark	8.10-9.20	8.16½-9.17	¼-1ore dis	−0.88	1¾-2¼dis	−0.87
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 51.55-51.65.

CURRENCY MOVEMENTS

Dec. 3	Bank of England Index	Morgan Guaranty Change %
Sterling	81.4	−0.0
U.S. dollar	127.4	+10.2
Canadian dollar	81.0	−10.0
Austrian schilling	120.8	+0.7
Belgian franc	92.7	−8.7
Danish Kroner	83.1	−5.0
Deutsche mark	128.5	+10.7
Swiss franc	151.2	+12.1
Guilder	[illegible]	[illegible]
French franc	[illegible]	[illegible]
Lira	[illegible]	[illegible]
Yen	175.6	+26.1

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (base average 1975=100).

OTHER CURRENCIES

[illegible]

* Selling rate.

CURRENCY RATES

[illegible]

* CS/SDR rate for Dec 2: 1.52075.

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr per 10: Lira per 1,000: Belg Fr per 100.

EURO-CURRENCY INTEREST RATES

[illegible]

Long-term Eurodollars — two years 8¾-9 per cent; three years 9¼-9½ per cent; four years 9-9¾ per cent; five years 9¹¹⁄₁₆-9¹⁵⁄₁₆ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu December 3	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krona	8.12857	7.96698	−1.74	−0.88	±1.6427
German D-mark	2.23840	2.20622	−1.44	−0.58	±1.1455
French Franc	6.86402	6.73086	−1.96	−1.06	±1.3654
Dutch Guilder	2.52208	2.48301	−1.55	−0.69	±1.5162
Irish Punt	0.724578	0.714034	−1.46	−0.60	±1.6673
Italian Lira	1520.60	1501.89	−1.23	−1.14	±4.0856

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

FINANCIAL FUTURES

Prices fall

Prices fell on the London International Financial Futures Exchange yesterday, in reaction to overnight weakness in the US bond market, a continued firm Federal funds rate in New York, the lack of any further moves to balance the US budget deficit and an upward revision in September US leading economic indicators.

Dollar denominated contracts opened lower, with March Treasury bonds at 79-22. This proved to be the high of the day, with the contract falling to a low of 79-06, before closing at 79-15 compared with 80-01 on Monday. The rise of 0.3 per cent in October US leading indicators was in line with expectations, but the September upward revision to 0.4 per cent from the previous rise of 0.1 per cent, put downward pressure on prices.

March delivery Eurodollars opened and closed at 91.83, against the previous settlement of 91.92. The contract touched a high of 91.84 and a low of 91.78, in depressed trading as the Federal funds rate remained above 8 per cent, and hopes faded of an early cut in the Federal Reserve's discount rate, after the dollar's recent decline to 2½-year lows on the foreign exchanges, and M1 money supply growth remains well above the Federal Reserve's target range. The comment by Mr Preston Martin, vice chairman of the Federal Reserve Board, about the further downgrading of M1 in setting monetary policy next year, came too late to influence the market.

Long-term gilts for March delivery opened at 112-17, weaker than the previous close, but near the day's high of 112-18, and closed at 112-12, compared with 112-29 on Monday.

Three-month sterling deposits weakened, as sterling fell on the foreign exchanges and hopes of a base rate cut faded.

CURRENCY FUTURES

POUND — $ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.4795	1.4763	1.4677	1.4583	1.4433

IMM—STERLING $s per £

	Latest	High	Low	Prev
Dec	1.4805	1.4820	1.4710	1.4875
March	1.4700	1.4710	1.4600	1.4765
June	—	1.4600	1.4570	1.4665
Sept	—	—	—	—
Dec	—	—	—	1.4575

LIFFE—STERLING £25,000 $ per £

[illegible]

LIFFE—DEUTSCHE MARKS DM 125,000 $ per DM

[illegible]

STERLING INDEX

[illegible]

LONDON

20-YEAR 12% NOTIONAL GILT £50,000 32nds of 100%

[illegible]

10% NOTIONAL SHORT GILT £100,000 64ths of 100%

[illegible]

THREE-MONTH STERLING £500,000 points of 100%

[illegible]

FT-SE 100 INDEX £25 per full index point

[illegible]

THREE-MONTH EURODOLLAR $1m points of 100%

[illegible]

LONDON SE £/$ OPTIONS £12,500 (cents per £1)

[illegible]

PHILADELPHIA SE £/$ OPTIONS £12,500 (cents per £1)

[illegible]

LIFFE—EURODOLLAR OPTIONS $1m points of 100%

[illegible]

LIFFE £/$ OPTIONS £25,000 (cents per £1)

[illegible]

US TREASURY BONDS 8% $100,000 32nds of 100%

[illegible]

CHICAGO

US TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

[illegible]

US TREASURY BILLS (IMM) $1m points of 100%

[illegible]

CERT. DEPOSIT (IMM) $1m points of 100%

[illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

[illegible]

MONEY MARKETS

London rates steady to firm

Interest rates remained steady to firm on the London money market yesterday, as the pound gave a rather fragile performance on the foreign exchanges and the fading prospect of a cut in the US discount rate set back earlier hopes of lower UK bank base rates. Three-month interbank closed unchanged at 11⁹⁄₁₆-11⁷⁄₁₆ per cent, and discount houses buying rates for three-month bank bills were 11⅛ per cent compared with 11-11⅛ per cent.

The Bank of England forecast a money market shortage of £600m, and provided total help of £531m, mainly through outright purchases of bills.

Before lunch the authorities gave assistance of £166m, buying £3m Treasury bills in band 1 at 11⅜ per cent; £23m bank bills in band 2 at 11⁵⁄₁₆ per cent; £212m bank bills in band 3 at 11¼ per cent; and £19m bank bills in band 4 at 11³⁄₁₆ per cent.

In the afternoon another £345m bills were purchased outright, by way of £4m bank bills in band 1 at 11⅜ per cent; £153m bank bills in band 2 at 11⁵⁄₁₆ per cent; £6m Treasury bills in band 2 at 11¼ per cent and £57m bank bills in band 3 at 11¼ per cent; and £9m Treasury bills in band 4 at 11³⁄₁₆ per cent; £20m local authority bills in band 4 at 11³⁄₁₆ per cent, £20m local authority bills in band 4 at 11⁵⁄₁₆ per cent and £96m bank bills in band 4 at 11⁵⁄₁₆ per cent.

Late assistance of £20m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £474m, with the unwinding of repurchase agreements absorbing £426m. These outweighed Exchequer transactions adding £115m to liquidity and bank balances above target by £195m.

In Frankfurt the German Bundesbank allocated a total of DM 16.6bn at yesterday's securities repurchase agreement tender. This more than replaced the DM 9.1bn flowing out of the money market yesterday as two earlier agreements expired, and was seen as a move by the authorities to bring stability to the market after a period of higher rates. Bids of DM 12.6bn were accepted for a 35-day agreement, and DM 4bn for a 63-day pact, at interest rates of 4.65 per cent and 4.60 per cent respectively. Bids totalled DM 16.8bn for the shorter plan and DM 5.1bn for the longer agreement. The allocation was higher than expected and the interest rate changed was lower than forecast. It had been feared that the authorities intended to push rates higher to bring down monetary growth. Call money eased to 5.10 per cent from 5.125 per cent ahead of the tender, and is now expected to fall back towards 4.50 per cent as market conditions become more comfortable.

UK clearing banks base lending rate 11½ per cent since July 30

NEW YORK RATES

(Lunchtime)	
Prime rate	9½
Broker loan rate	9
Fed funds	8⅞
Fed funds at intervention	8¹¹⁄₁₆
Treasury Bills & Bonds	
One month	6.54
Two month	7.24
Three month	7.46
Six month	7.70
One year	7.91
Two year	8.53
Three year	8.74
Four year	9.10
Five year	9.20
Seven year	9.58
10 year	9.69
30 year	9.94

FT LONDON INTERBANK FIXING

(11.00 a.m. Dec. 3)

Three months U.S. dollars		Six months U.S. dollars	
bid 8 3/16	offer 8 5/16	bid 8 3/16	offer 8 5/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

Dec. 3	Over night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	11½-13	11¾-11⅞	[illegible]	[illegible]	11¼-11⅛	[illegible]
Sterling CDs	—	—	11⅝-11¾	[illegible]	[illegible]	[illegible]
Local Authority Depos	11¾	11⅛	11⅝	11½	[illegible]	[illegible]
Local Authority Bonds	—	—	[illegible]	[illegible]	11⅝	11⅝
Discount Mkt Depos.	11½-13¼	11⅝	11½	[illegible]	—	—
Company Depos	11⅞-13⅛	11⅞-12	11¾-11⅞	11¾	—	—
Finance Hse Depos	—	—	11⅝	[illegible]	11⅝	11¼
Treasury Bills (Buy)	—	—	[illegible]	[illegible]	—	—
Bank Bills (Buy)	—	—	[illegible]	11⅛	[illegible]	—
Fine Trade Bills (Buy)	—	—	12	11¾	[illegible]	—
Dollar CDs	—	—	8.1-8.2	8.05-8.15	8.05-8.15	8.2-8.3
SDR Linked Depos	—	—	[illegible]	8-8¼	[illegible]	8-8⅛
ECU Depos	—	—	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month 11⅛ per cent; three-month 10²⁹⁄₃₂ per cent. Bank Bills (sell): one-month 11¹¹⁄₃₂ per cent; three-month 11³⁄₃₂ per cent. Treasury Bills: Average tender rate of discount 11.0153 per cent. ECGD Fixed Finance Scheme IV reference rate November 6 to December 3 (inclusive): 11.612 per cent. Local authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12 per cent from December 1, 1985. Bank Deposit Rates for sums at seven days' notice 8.25-0.625 per cent (nil). Certificates of Tax Deposits (Series 6): Deposits £100,000 and over held under one month 11½ per cent; one-three months 11½ per cent; three-six months 11½ per cent; six-nine months 11½ per cent; nine-12 months 11¼ per cent. Under £100,000 10¾ per cent from November 29. Deposits held under Series 5 11¾ per cent. Deposits withdrawn for cash 7½ per cent.

MONEY RATES

Dec. 3	Over night	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	6.60 6.80	4.85 5.00	4.80-4.95	4.70-4.90	4.75 4.90	5.5
Paris	8¾	8¾ 8⅞	8⅝-8⅞	8¾-8⅞	[illegible]	8¾
Zurich	[illegible]	[illegible]	—	[illegible]	—	—
Amsterdam	[illegible]	[illegible]	—	[illegible]	5⅞-6	—
Tokyo	7.96875	8.15685	—	7.90625	—	—
Milan	14½ 15	15-16⅝	—	14⅝-15	—	—
Brussels	8.10	8½ 8¾	—	8¾ 8⅝	8⅝-8⅝	—
Dublin	—	10-10¼	10⅛-10⅜	10⅛-10⅜	10⅛-10⅜	—

BASE LENDING RATES

Allied Dunbar & Co.	11½%	■ Guinness Mahon	11½%
Allied Irish Bank	11½%	■ Hambros Bank	11½%
American Express Bk.	11½%	Heritable & Gen. Trust	11½%
Henry Ansbacher	11½%	■ Hill Samuel	§11½%
ABN Bank	11½%	C. Hoare & Co.	11½%
Amro Bank	11½%	Hongkong & Shanghai	11½%
Associates Cap. Corp.	12 %	Johnson Matthey Bkrs.	11½%
Banco de Bilbao	11½%	Knowsley & Co. Ltd.	12 %
Bank Hapoalim	11½%	Lloyds Bank	11½%
Bank Leumi (UK)	11½%	Edward Manson & Co.	12½%
BCCI	11½%	Meghraj & Sons Ltd.	11½%
Bank of Ireland	11½%	Midland Bank	11½%
Bank of Cyprus	11½%	■ Morgan Grenfell	11½%
Bank of India	11½%	Mount Credit Corp. Ltd.	11½%
Bank of Scotland	11½%	National Bk. of Kuwait	11½%
Banque Belge Ltd.	11½%	National Giro Bank	11½%
Barclays Bank	11½%	National Westminster	11½%
Beneficial Trust Ltd.	12½%	Northern Bank Ltd.	11½%
Brit. Bank of Mid East	11½%	Norwich Gen. Trust	11½%
■ Brown Shipley	11½%	People's Trust	12½%
CL Bank Nederland	11½%	PK Finans. Intl. (UK)	12 %
Canada Permanent	11½%	Provincial Trust Ltd.	12½%
Cayzer Ltd.	11½%	R. Raphael & Sons	11½%
Cedar Holdings	12 %	Roxburghe Guarantee	12 %
■ Charterhouse Japhet	11½%	Royal Bank of Scotland	11½%
Citibank NA	11½%	Royal Trust Co. Canada	11½%
Citibank Savings	¶12½%	Standard Chartered	‖11½%
City Merchants Bank	11½%	TCB	11½%
Clydesdale Bank	11½%	Trustee Savings Bank	11½%
C. E. Coates & Co. Ltd.	12 %	United Bank of Kuwait	11½%
Comm. Bk. N. East	11½%	United Mizrahi Bank	11½%
Consolidated Credits	11½%	Westpac Banking Corp	11½%
Continental Trust Ltd.	11½%	Whiteaway Laidlaw	12 %
Co-operative Bank	*11½%	Yorkshire Bank	11½%
The Cyprus Popular Bk.	11½%		
Duncan Lawrie	11½%		
E. T. Trust	12 %		
Exeter Trust Ltd.	12 %		
Financial & Gen. Sec.	11½%		
First Nat. Fin. Corp.	12½%		
First Nat. Sec. Ltd.	12½%		
■ Robert Fleming & Co.	11½%		
Robert Fraser & Ptrs.	12½%		
Grindlays Bank	†11½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 8.00%, 1-month 8.50%. Top Tier—£2,500+ at 3 months notice 11.25%. At call when £10,000+ remains deposited.
† Call deposits £1,000 and over 8.00% gross.
‖ 21-day deposits over £1,000 8.25%.
¶ Mortgage base rate.
§ Demand dep. 8%. Mortgage 13%.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1985 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
101	99	Exch. 11¼pc '86	99	.....	11 76	11 66
99	96¼	Treas. 10pcCnv 1986	99½	–	10 05	11.35
96⅝	92¼	Treas 3pc 1986	96	. .	3.11	10 80
100	97½	Exch. 10½pc 1986	99	–	10.53	11.27
101¾	99¾	Treas 12pc 1986	100 xd	–	11 96	11.26
98½	94¼	Treas 8½pc 1984-86‡‡	98	–	8 65	11.42
105	102	Exch. 14pc 1986	102	–	13 68	11.17
94¼	87¾	Exch. 2½pc 1986	94¼	+ ⅛	2.64	8.28
104	101¼	Exch. 13¼pc 1987	101	– ⅛	13.00	11.26
99	96⅝	Treas. 10¼pcCv '87	98	– ¼	10.34	11.15
93¼	85½	Exch 2½pc 1987	92	.	2.69	8 67
100	96¼	Exch. 10½pc 1987	99¼	–	10.58	11.08
95	89	Funding 6½pc '85-87‡‡	94⅞	.	6 85	10 51
99	95½	Treas. 10pc 1987	98 xd	– ½	10 15	11 08
91⅜	84¼	Treas 3pc 1987	91½	. .	3 28	8 77
102	99¼	Treas 12pc 1987	101	–	11 82	11 05
95	90¼	Treas 7¼pc 1985-88‡‡	94¼	– ⅛	8.22	10.77
100	95¼	Exch 10½pc '88	99¼	–	10 59	10.92
98⅝	93¼	Treas 9¼pc Cv '88	97 xd	– ⅛	10.02	11.01
87¼	80	Transport 3pc '78-88	87½ xd	– ¼	3 43	8.53

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont.

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

هكذا من الأصل

INDUSTRIALS—Continued

1985 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
47	34	Macfarlan P & W 120p	46	–1	11.7	2.3	5.3	9.5
88	46	Magnolia Group	88		2.6	3.0	4.2	10.7
60	28	Mammoth Hldgs 10p	53		—	—	—	86.5
515	202	Man Ship Can. £1	487		5.5	3.5	1.6	25.6
123	70	Marley	121	–1	3.75	2.2	4.4	14.6
107	52	Marling Ind. 10p	88	–2	d1.5	5.1	2.4	11.2
82	36	Marshall Cav. 'A'	74		2.4	4.9	4.6	5.3
77	55	Marshall's Universal	72	–1	2.0	1.4	4.0	27.8
89	78	Do 7½pcCnRedPf £1	87xd		7½%	—	13.3	—
£110	£81	Mathesons 7¼%	£110		07¼%	2.3	17.2	—
35	15	Maxiprint 1p	19		—	—	—	—
551	375	Metal Box £1	516xd	–4	17.25	3.0	4.8	8.2
170	110	Metal Closures	134	–1	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LEISURE—Continued

1985 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
52	7	Entertain Prod 5p	10		0.25	2.1	32.1	1.8
82	50	Fairline Boats 10p	81		2.63	2.6	4.6	11.5
400	228	First Leisure £1	400	+10	6.5	2.8	2.3	18.7
69	51	GRA Group 5p	68½					91.4
32	25	Grampian TVA 10p	28xd		1.67	♦	8.5	♦
35	10	Greenwich Cable Comm	18		—	—	—	—
175	117	HTV Non/Vtg	375		7.7	2.9	6.3	7.8
148	70	Horizon	93		4.4	3.6	4.8	4.2
340	95	Intl Leisure 10p	185		4.8	3.1	6.5	5.7
232	100	Juliana's Hldgs 2p	100		2.0	1.8	2.5	16.5
308	217	LWT	263xd		14.4	1.8	7.8	10.0
36½	23½	Leisure Inv 10p	33½					♦

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

1985 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
248	186	Greycoat 10p	238		1.75	4.2	1.1	25.0
108	82	Grosvenor Sq Prp 10p	100		0.1	1.8	8.6	0.2
515	415	Hammerson 'A'	460	–5	8.5	1.5	2.6	32.5
41½	29½	Hampton Trust 5p	40	–½	0.7	—	2.5	—
155	93	Hanover Inv Hldgs 10p	153xd		10	2.9	2.8	17.3
260	190	Hardanger Prop 10p	257		9.8	2.3	3.4	9.4
538	446	Haslemere 10p	510		9.6	1.4	2.7	32.8
66	40½	HK Land	54½	+½	01c	18.6	0.2	33.1
340	223	House Prop Lon 50p	315		9.0	2.5	4.1	11.1
325	255	Imry Property	305	–5	5.3	1.5	2.5	36.8
£104	661	Int Inc Prpty 50.01	736	+35	08c	—	8.4	—
170	85	Jermyn Invest	160	–10	1.63	3.5	1.5	25.6

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

1985 High	Low	Stock	Price
424	344	Drayton Japan	[illegible]
522	363	Drayton Premier	[illegible]
66½	59	Dualvest Inc 50p	[illegible]
£12¼	£10	Do Capital £1	[illegible]
197	160	Dundee & London	[illegible]
117½	89	Edinburgh Am. Tst	[illegible]
31	35	Edinburgh Fnd Tst	[illegible]
120	103	Edinburgh Inv.	[illegible]
34	23	Edinburgh In Wts	[illegible]
142	113	Electra Inv. Tst	[illegible]
304	254	Elect. & Gen.	[illegible]
412	350	Energy Res. & Serv. $5	[illegible]

[illegible]

Finance, Land, etc

[illegible]

FINANCE, LAND—Cont.

[illegible]

OIL AND GAS

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

MINES—Continued

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

Tins

[illegible]

Miscellaneous

1985 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
55	30	Anglo Dominion	30		—	—	—
41	33	Anglo Utd Dev	35		od1.05	2.3	4.3
310	117	Centennial Mns	262		—	—	—
170	48	Colby Res. Corp.	60		—	—	—
510	175	Cons. Merch. 10c	215		g086½c	3.9	9.7
40	24	Elmes Int. Ir10p	32		—	—	—
123	79	Greenwich Res	74	–1	—	—	—
213	115	Hampton Areas 10p	140		3.75	0.9	3.6
260	135	Highwood Res.	340		—	—	—
£22½	£15½	Homestake Mining $1	£15⅝		Q20c	—	0.9
310	155	McFinley Red Lake	220		—	—	—
335	195	Musto Explorations	250	–10	—	—	—
55	23	New Sabina Res C$1	43		—	—	—
375	195	Northgate C$1	220	–7	—	—	—
685	307	RTZ	507	–10	120.0	2.8	3.6
£145½	£116½	Do 9¼pcLn 95/2000	£116½	–2	Q9¼%	14.0	18.4
980	850	Tara Exptn $1	860	+10	—	—	—

NOTES

Unless otherwise indicated prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsetable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a)
- ✤ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3)
- § Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast
- ◆ Merger bid or reorganisation in progress.
- ◆ Not comparable
- ◆ Same interim: reduced final and/or reduced earnings indicated
- ◆ Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- § Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided
- ǁ No par value

B.Fr. Belgian Francs. Fr. French Francs. ¶¶ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend; cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend; cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment; Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. Q Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –
Albany Inv 20p	102	
Craig & Rose £1	800xd	
Finlay Pkg 5p	51	
Holt (Jos) 25p	710	
IoM Stm. £1	73	

IRISH

Stock	Price	+ or –
Fund 11¾% 1988	£100¾	
Nat. 9¾% 84/89	£95⅝	–⅛
Fin 13% 97/02	£104¾	
Arnotts	227xd	
CPI Hldgs	70	
Carroll Inds	150	
Dublin Gas	77	
Hall (R. & H.)	54	
Heiton Hldgs	24	
Irish Ropes	65	
Unidare	130	

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This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £800 per annum for each security.

LONDON STOCK EXCHANGE

MARKET REPORT

GEC move for Plessey restores confidence after early extension of recent slide

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
Nov 11	Nov 21	Nov 22	Dec 2
Nov 25	Dec 5	Dec 6	Dec 16
Dec 9	Dec 19	Dec 20	Jan 6

* "New-time" dealings may take place from 9.30 am two business days earlier.

Considerable excitement and scenes of intense activity in the Electrical sector were generated midway through the afternoon by the GEC proposal to Plessey. Prior to the announcement, the overall equity market mood had been one of uncertainty with many leading stocks threatening to match the sharp losses of the previous session.

On news of the tentative offer of *160p per share, Plessey raced* higher amid heavy trading to close 38 up at 174p. GEC, which minutes earlier had reported dismal half-year profits, rebounded from 164p to end a net 12 higher at 186p. Other leading industrials also benefited and the *FT Ordinary* share index regained an earlier fall of 13.6 to settle with a rise of 3.9 on the day at 1128.3. The strength of constituents Plessey and GEC added over 12 points to the index.

Earlier, there had been a *further attempt* by *jobbers* to squeeze out fresh sellers after Monday's shake-out. The manoeuvre failed as investors began to *take advantage* of the cheaper prices, while underwriting of the large Cable and Wireless offer-for-sale was being effected. This was completed later but in the meantime the market came under renewed pressure on reports of further institutional fund-raising.

The FT-SE 100 share index fell nearly 16 points rather quickly but it recovered just as fast after the GEC move to end only 2.9 lower on the session at 1415.6. A surprising rally in Far Eastern stocks, despite domestic market influences to the contrary, was a steadying factor. The Singapore market will reopen for business tomorrow.

Government securities were gradually affected by sterling's easier trend against the dollar. In the absence of any worthwhile offtake, prices drifted lower with the accent on longer maturities. Selected ultra-long issues gave up as much as ⅝ before edging away from the lowest late in the official trade. The shorts lost amounts ranging to ¼, while index-linked stocks showed scattered changes in both directions.

Composites down

Quietly dull conditions prevailed in Insurances. Composites were particularly vulnerable and sustained double-figure falls in places. Royals dropped 16 to 765p and General Accident lost 13 to 705p. Sun Alliance gave up 8 at 545p, as did GRE, at 735p.

Clearing banks also lacked support. Lloyds cheapened 5 to 478p, as did Midland, to 438p. NatWest also finished 5 off at 678p.

The two newcomers to the Unlisted Securities Market staged bright debuts. Specialist plastics manufacturer **Dialene** closed at 135p compared with the placing price of 128p, while **J. S. Pathology**, placed at 160p, opened at 170p and advanced to 185p.

Allied Lyons, still reflecting fears that the unwelcome bid from Elders IXL could be referred to the Monopolies Commission, eased to 283p before closing a penny lower on balance at 286p. Distillers, meanwhile, gave up a couple of pence to 503p, after 500p, awaiting further developments following the board's strong rejection of Argyll's offer; the latter closed 2 off at 342p, after 337p.

Leading Building issues sustained further modest falls. **Tarmac** were dull and closed 8 down at 374p; the company has been mentioned as a possible bidder for English China Clays. Elsewhere, SGB gave up 8 at 258p following press comment advising acceptance of the BET bid for the company.

ICI were a relatively quiet market and, after easing to 708p, subsequently picked up to close 3 dearer on balance at 715p. Among other Chemicals, **British Benzol** continued to attract speculative buying on "shell operation" hopes and firmed 2 more to 44p.

BHS volatile

Rumours of an impending Sears counter-bid for **British Home Stores** prompted further intense activity in the latter's shares which moved between extremes of 430p and 412p before closing the day a net 1p higher on balance at 422p; Sears cheapened a few pence to 111p. **Habitat Mothercare**, meanwhile, reflected doubts about its agreed merger with BHS and fell 16 to 518p. Other Store leaders retreated sharply with sentiment not helped by the disappointing October sales statistics. **Burton** relinquished 12 to 548p as did **Woolworths** to 558p, while **Harris Queensway** lost 1p at 250p, after 246p. Secondary issues were also generally dull with the recently firm mail orders lower on profit-taking. **Empire** fell 4 to 152p and **Grattan** lost 6 to 384p. Elsewhere, **Goldsmiths** gave up 8 at 170p and **Formminster** reacted 10 to 175p. Against the trend, **Gee-Rosen** advanced 5 to 51p following optimistic buying ahead of today's interim results.

The Plessey bid approach prompted a lively trade in other selected Electrical issues, with **Racal** prominent at 162p, up 16, along with **Ferranti**, 12 higher at 140p, after 146p. **Thorn EMI** touched 434p before settling 10 higher at 427p. Elsewhere, STC firmed 6 to 96p, but **International Signal** settled a couple of pence cheaper at 313p after the half-year figures. **Cable and Wireless** also closed a few pence lower at 610p following details of the Government share exchange offer. Late demand lifted **Amstrad** 6 to 200p.

Wire and Plastic responded afresh to news of the Saatchi and Saatchi 10 per cent stake with a further gain of 13 at 303p making a two-day rise of 83. **Matthew Hall**, in contrast, reflecting disappointment with the annual profits indication which accompanied the third quarter figures, reacted to 158p before settling 14 down on the day at 162p. **Victor Products** came to life with a rise of 14 at 126p, while **Birmingham Mint** moved up 5 to 125p on the interim figures. On the other hand, profit-taking clipped 5 from recent speculative favourite **Stothert and Pitt** at 180p.

United Biscuits fell 17 to 256p, a two-day loss of 22, on fears that another bidder may emerge for Imperial Group and thwart the proposed United Biscuits/Imperial Group merger. **Imps** closed 6 off at 234p, after 231p. A fresh bout of profit-taking hit other leading Food shares. **Tate and Lyle**, annual results due on December 11, gave up 16 to 562p, while **Cadbury Schweppes** shed 3 to 183p. **Ranks Hovis McDougall** touched 184p in reply to annual profits well in excess of market expectations before easing back to close 4 cheaper on balance at 178p. Among Retailers, **ASDA-MFI** reacted to 148p prior to closing 2 down at 152p, while **Dee Corporation** lost 1p to 275p ahead of tomorrow's interim results. Elsewhere, **Jack Israel** gained 1½ to 28p in reply to the good half-year figures, but recently-firm **Hazlewood** came back 33 to 815p.

Boots active

Most leading miscellaneous issues finished the day with little alteration, but **Boots** were active and closed 7 lower at 251p after moving between extremes of 260p and 248p. Profit-taking after the preliminary figures left **Trafalgar House** 9 cheaper at 386p. **Dalgety** reflecting Far Eastern uncertainties fell 14 to 457p, but **Jardine Matheson** rallied 7 to 114p and **Swire Pacific** improved a similar amount to 249p. **British Aerospace**, down to 460p at one stage picked up to close only 3 off on balance at 468p following news of the £38m order for three 64-seat advanced turbo-prop aircraft. **Fisons** were favoured and put on 11 to 448p, while interest revived in **Ashley Industrial Trust** which gained 4 to 74p. Reflecting the increased interim dividend and profits, **R. W. Toothill** advanced 1p to 230p, while comment on the half-year figures left **Dominion International** up 5 more at 114p. **English China Clays**, down to 286p initially, revived on Tarmac takeover hopes to close 5 firmer on balance at 294p.

Campari attracted support on suggestions of a bid from Hawley Group and gained 4 to 29p, but profit-taking left recently-firm *Aspinall Holdings* 5 *off* at *175p*.

Among Paper / Printings, **Holmes Marchant** jumped 20 to 385p in anticipation of today's preliminary results.

Leading Property shares continued to drift lower in thin trading. Elsewhere, recently-firm **Regalian** encountered profit-taking and shed 30 to 375p, but **Land Investors** put on 5 to 56p as takeover rumours revived. Renewed speculative buying lifted **Southend Stadium** 4 to 92p.

Leeds Group fell 8 to 188p on profit-taking in the wake of the annual results and proposed 2p per cent scrip-issue. Elsewhere in Textiles, **Atkins Bros.** improved a few pence to 140p, after 142p, in reply to satisfactory trading news.

Alva featured Investment Trusts with a rise of 13 to 219p on the announcement that Throgmorton Trust had acquired a 29 per cent stake in the company from Temple Bar.

BP easier

Leading oils opened a shade *firmer, helped by a rally in* spot prices, but subsequently came under renewed pressure on further consideration of the recent series of *warnings on possible* sharp falls in crude prices in coming months. **BP** opened at around 562p and fell to 552p, in mid-morning before *rallying* to 558p in the early afternoon. However, news of developments at the company's Sohio *subsidiary in the US which will* result in BP making substantial charges in the fourth-quarter left BP a net 5 lower at 555p. **Shell** gave up a like amount to 645p, and **Britoil** settled a shade easier at 223p, after 220p. Takeover speculation took **Burmah** up to 290p but subsequent selling lowered the price to a closing level of 282p for a net decline of 4.

Business in South African sector of mining markets remained at a relatively low ebb. Recently weak Gold shares opened a shade firmer, helped by bullion's steadier performance in the US overnight which was accompanied by a useful rally in share prices in New York. Thereafter, quotations tended to ease on minor profit-taking.

The Gold Mines index showed a 2.1 decline to 270.8.

Losses among the leading heavyweights were usually restricted to around ¼, as in **Buffels**, £16½, and **President Brand**, £11½ while the cheaper priced issues showed minor changes in either direction.

South African Financials suffered from general lack of interest and drifted lower across the board. **De Beers** dipped 5 to 308p, **Amcoal** gave up ½ to £38½, **Gold Fields of South Africa** 25 to 770p and **"Johnnies"** £3 to £54.

London-domiciled Financials were persistently sold throughout the morning but closed a shade above the day's lowest levels *following the appearance of "cheap" buyers.* **Consolidated Gold Fields** fell away to 475p before closing a net 10 down at 477p.

Platinums also lost ground with losses of 10 common to Impala and Rustenburg at 560p and 510p respectively.

Demand for Traded Options increased significantly with 22,827 deals done, comprising 15,943 calls and 6,884 puts.

FINANCIAL TIMES STOCK INDICES

	Dec. 3	Dec. 2	Nov. 29	Nov. 28	Nov. 27	Nov. 26	year ago
Government Secs	83.36	83.25	83.81	83.03	83.05	83.93	83.68
Fixed Interest	89.18	89.38	89.38	89.46	89.35	92.34	86.37
Ordinary ♥	1128.3	1124.4	1142.0	1133.0	1158.9	1122.5	917.5
Gold Mines	270.2	272.7	285.2	288.9	222.0	306.6	656.7
Ord. Div. Yield	4.37	4.36	4.30	4.52	4.30	4.52	4.64
Earnings, Yld. % (full)	10.85	10.84	10.68	10.74	10.70	10.76	11.88
P/E Ratio (net) (*)	11.56	11.38	11.55	11.49	11.32	11.46	10.10
Total bargains (Est.)	51,255	26,864	26,180	25,902	28,531	34,947	23,884
Equity turnover £m.	—	477.63	490.17	632.38	583.24	532.96	611.60
Equity bargains	—	24,864	22,508	26,524	27,868	34,027	34,275
Shares traded (ml)	—	220.7	240.4	287.2	280.7	300.4	478.5

♥ 10 am 1121.0. 11 am 1125.2. Noon 1112.5. 1 pm 1113.1. 2 pm 1114.1. 3 pm 1126.4. 4 pm 1128.1.

Day's High 1128.2. Day's Low 1110.2.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

* Nil = 10.56.

HIGHS AND LOWS

	1985 High	1985 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	84.57 (18/10)	78.02 (28/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	90.38 (23/10)	82.17 (28/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1146.0 (25/11)	911.0 (25/7)	1146.2 (25/11/85)	49.4 (26/6/40)
Gold Mines	336.9 (15/4)	217.5 (5/11)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY INDICES

	Dec. 2	Nov. 29
Daily Gilt Edged Bargains	165.2	152.52
Equities Bargains	151.1	143.2
Equities Value	966.4	990.8
5 day Average Gilt Edged Bargains	182.0	191.3
Equities Bargains	176.2	188.7
Equities Value	1142.4	1207.0

NEW HIGHS AND LOWS FOR 1985

NEW HIGHS (29)

BRITISH FUNDS (1)
Exchqr. 2½pc 1986

CORPORATION LOANS (1)
LCC 5½pc '85-90

AMERICANS (1)
Union Carbide

BUILDINGS (2)
Aberdeen Constr. Helical Bar

CHEMICALS (2)
Plysu Thurgar Bardex

STORES (3)
Kent (John) Time Products
Stirling Group

ELECTRICALS (1)
Thermal Scientific

ENGINEERING (2)
Beauford Victor Products
Triplex

FOODS (1)
Watson Philip

INDUSTRIALS (5)
Bomienpo Internatl. Sinclair (Wm.)
Rock Watson (R. Kelvin)
Ryan Internatl.

LEISURE (1)
First Leisure

MOTORS (1)
Browns IC-1 Car

PAPER (2)
Goodhead Print Waimoughs

PROPERTY (2)
Deacora Trencherwood

TRUSTS (2)
Meldrum Inv. Rights & Issues Cap.

OVERSEAS TRADERS (1)
Tozer Kemsley

NEW LOWS (49)

BRITISH FUNDS (1)
Exchqr. 10½pc Cnv. 1989 (£40 paid)

CANADIANS (2)
Abbot Energy Rio Algom

BANKS (2)
Gerrard & Natl. Sthn. Bus. Leasing

STORES (1)
Bedford (Wm.)

ELECTRICALS (5)
Lec Refrigeration Telemetrix
Oceonics Webber Electro
TDS Circuits

INDUSTRIALS (4)
Aaronite Peck Hldgs.
PSM Internatl. Bestmor

INSURANCE (1)
PWS Internatl.

LEISURE (1)
Adam Leisure

PAPER (1)
AFA Selection

PROPERTY (1)
Femtrovincial Ests.

SHIPPING (2)
Lyle Shipping Lyle Shipping Pfd.

TEXTILES (1)
Corah

TRUSTS (7)
Baillie Gifford Tech. Aust. Merch.
GeC Capital F. & C. Enterprise
Japan Assets Newmarket
Pacific Assets Tst.

OILS (9)
Bridge Oil LASMO
Charterhouse Petrol. Nth. Sea & Genl. Inv.
Claremont Petrol. Texaco 4½pc Cnv.
Floyd Oil Tricentrol 11pc Cnv.
Goal Petroleum Ln 1995-2005

PLANTATIONS (2)
Anglo-East Plants. Kuala Kepong
Harrisons M'y Plnts.

MINES (8)
Asia Oil & Mins. Petaling
Cultus Pacific Tronoh
Sthn. Goldfields Greenwich Resources
Western Mining RTZ

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Nov 18	Nov 29	Feb 20	Mar 3
Dec 2	Dec 13	Mar 6	Mar 17
Dec 16	Jan 3	Mar 20	Apr 7

For rate indications see end of Unit Trust Service

Money was given for the call of Boots, Burton, Aitken Hume, Polly Peck, Anglo Nordic, PWS International, Brunswick Oil and Gas, Pavion, Crystalate, Sangers Photographics, Bulgin "A," Barker and Dobson, Bestwood, Dominion International, Coloroll, John Brown and Edmonds Holdings. STC were dealt in for the put, but no double options were reported.

RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

187	Nil	8/1	36pm	24pm Wedgwood	54pm –1

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimates. *g* Assumed dividend and yield. *H* Dividend and Yield based on prospectus or other official estimates for 1986. *u* Forecast otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment price. ‡‡ Dealt in under Rule 535 (3). ♥ Dealt in under Rule 535 (4) (a). † Units comprising 5 ordinary shares and 1 warrant.

YESTERDAY'S ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
BAT Inds	278	—
Boots	251	– 7
Brit Home Stores	422	+10
Ferranti	140	+12
GEC	186	+12
GKN	254	– 2
Imperial Group	234	– 6
Plessey	173	+38
Racal Elects	162	+16
RHM	178	– 4
Trafalgar House	386	– 9
Utd Biscuits	256	–17

Based on bargains recorded in Stock Exchange Official List.

MONDAY'S ACTIVE STOCKS

Stock	No. of changes	Mon. close	Day's change
Brit Home Strs	19	412	–20
Unitech	12	240	+ 3
Utd Biscuits	19	273	– 3
Beecham	17	321	– 2
Cable & Wire	17	613	–22
Pearson	17	410	–10
Thorn EMI	17	417	–12
Brit Aero	16	471	–10
Distillers	16	505	– 5
Polly-Peck	15	170	–15
Allied-Lyons	14	287	–13
BAT Inds	14	278	– 3

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

MONTHLY AVERAGES OF STOCK INDICES

EUROPEAN OPTIONS EXCHANGE

LONDON TRADED OPTIONS

حكمة من الأرض

WORLD STOCK MARKETS

AUSTRIA

Dec. 3	Price Schs	+ or −
Creditanst'it ppd	427	+2
Goesser	587	+17
Interunfall	1,500	......
Jungbunzlauer	--	......
Laenderbank	586	......
Perlmooser	780	+7
Stey-Daimler	165	−1
Veitscher Mag	920	−3

BELGIUM/LUXEMBOURG

Dec. 3	Price Frs.	+ or −
B.B.L.	2,550	−50
Banq. Gen. Lux	8,850	......
Banq. Int.A.Lux	8,100	......
Bekaert	9,010	+110
Ciment CBR	2,820	−10
Cockerill	204	−1
Delhaize	8,800	+100
EBES	3,950	...
Electrobel	12,075	−50
Fabrique Nat.	2,080	+70
GB Inno BM	4,555	−35
GBL (Brux)	9,600	−25
Gevaert	5,150	−155
Hoboken	5,800	+120
Intercom	2,905	−23
Kredietbank	15,000	......
Pan Hldgs	9,950	......
Petrofina	7,050	−10
Royale Belge	18,000	......
Soc. Gen. Banq	4,580	−30
Soc. Gen. Belge	2,620	......
Sofina	8,355	−70
Solvay	6,100	−110
Stanwick Intl	895	......
Tractionel	6,000	−130
UCB	6,750	+130
Wagon Lits	4,110	−50

DENMARK

Dec. 3	Price Kr.	+ or −
Andelsbanken	380	......
Baltic Skand	695	......
Cop Handelsb'nk	515	−9
D. Sukkerfab	470	+5
Danske Bank	372	......
De Danske Luft	1,480	......
East Asiatic	229	+1
Forenede Brygg	1,075	......
Forenede Damp	218	−6
GNT Hld	510	−5
I.S.S.B.	555	−5
Jyske Bank	760	−15
Novo Inds	1,200	......
Privatbanken	319	−1
Provinsbanken	474	......
Smidth (F.L.) B	616	+7
Sophus Berend	980	......
Superfos	364	−1

FRANCE

Dec. 3	Price Frs.	+ or −
Emprunt 4½% 1973	440	−11
Emprunt 7% 1973	7,352	......
Accor	277	−3.5
Air Liquide	896	−5
BIC	488	−7
Bongrain	1,553	+7
Bouygues	830	−10
BSN Gervais	9,490	−10
CIT Alcatel	1,399	−20
Carrefour	2,725	−5
Club Mediter'n	465.5	−13.8
Cie Bancaire	808	......
Cofimeg	308	−3
Damart	1,840	+7
Darty	1,800	+24
Dumez S.A.	825	−13
Eaux (Cie Gen)	759	−3
Elf-Aquitaine	223	......
Essilor	2,090	−55
Gen.Occidentale	700	−9
Imetal	75.3	+0.5
Lafarge Coppee	645	−15
L'Oreal	2,680	−7
Legrand	2,275	−75
Maisons Phenix	203	+9
Matra S.A.	1,523	−33
Michelin B	1,631	−14
Midi (Cie)	3,625	−45
Moet-Hennessy	2,075	−45
Moulinex	65.5	−5.7
Nord Est	126.1	−3
Pernod Rica	725	−10
Perrier	433	−3
Petroles Fra.	315	......
Peugeot S.A.	469	−3
Printemps (Au)	334	−11
Radiotech	380	−9.9
Redoute	1,820	......
Roussel-Uclaf	1,652	−83
Sefimeg	375	−3
Skis Rossignol	1,410	−25
Telemec Elect	2,695	−43
Thomson (CSF)	668	−2
Valeo	325.5	−1.8

GERMANY

Dec. 3	Price Dm.	+ or −
AEG	591.3	+1.7
Allianz Vers	1,752	+21
BASF	262	+4
Bayer	280	+2
Bayer.Hypo	450	+1.5
Bayer-Verein	441	+11
BHF-Bank	451	+12.8
BMW	556	+15
Brown Boveri	300	+5
Commerzbank	263	+5.3
Cont'l. Gummi	155.5	+1
Daimler-Benz	1,142	+17
Degussa	425	+4
D'sche Babcock	205	+1
Deutsche Bank	667	−2
Dresdner Bank	333	+2
GHH	216	−3
Henkel	374	+3
Hochtief	733	......
Hoechst	250.5	+5.1
Hoesch Werke	160.3	+1.5
Holzmann (P)	471	−6
Horten	224	−1
Hussel	408	−3
Karstadt	353	+3
Kaufhof	342	+6
KHD	305.5	−0.5
Kloeckner	89.5	−0.5
Linde	572	......
Lufthansa	215	−1
MAN	182	−5.3
Mannesmann	257	+2.5
Mercedes Hld	1,044	+24
Metallgesell	808	......
Muench Rueck	9,550	......
Nixdorf	547	+17
Porsche	1,236	+8
Preussag	238	......
Rhein West Elect	189.2	−0.3
Rosenthal	218.5	−0.3
Schering	623	......
Siemens	531.2	−3.8
Thyssen	154.5	+5
Varta	985.6	+0.5
Veba	271.8	+2.5
V.E.W.	137	+1
Verein-West	333	+2
Volkswagen	384	+4.8

ITALY

Dec. 3	Price Lira	+ or −
Banco Com'le	23,320	+320
Bastogi-IRBS	512	−8
Centrale	3,690	+20
C.I.R.	6,380	−70
Credito Italiano	3,299	−191
Fiat	5,100	−70
Generali Assicur.	74,450	−560
Italcementi	52,900	−550
La Rinascente	1,068.3	+3.3
Montedison	2,675	−22
Olivetti	8,285	+25
Pirelli Co	5,450	−60
Pirelli Spa	3,560	+41
Saipem	7,279	−20
Snia BPD	5,122	−65
Toro Assic	23,700	+100

NETHERLANDS

Dec. 3	Price Fls	+ or −
ACF Holding	255	−6
AEGON	109.5	−3
Ahold	78.5	−1.5
AKZO	134.7	−1.3
ABN	650	−5.6
AMEV	76.2xc	−2.8
AMRO	96.2	−2.5
Bredero Cert	193	−5.5
Bos Kalis Westm.	15.9	−0.4
Buehrmann-Tet.	117	−1
Calland Hlgs.	27.3	−5.5
Dordtsche Pet'm	168.8	+0.4
Elsevier-NDU	162.6	−2.6
Fokker	73	−2
Gist Brocades	248.6	−3.5
Heineken	207	−6
Hoogovens	71.2	−0.7
Int Mueller	64.5	−2
KLM	52.8	+0.4
KNP	109.2	−4
Naarden	56	−2.3
Nat Ned Cert	80.3	−1.1
Ned Mid Bank	217	−2
Nedlloyd	201.8	−2.5
Oce Grinten	378	−3.5
Ommeren (Van)	28.8	−0.5
Pakhoed	76.8	−0.8
Philips	55.9	−0.2
Robeco	79.4	−0.7
Rodamco	155	−0.1
Rolinco	70.4	−0.8
Rorento	46.7	−0.1
Royal Dutch	179.5	+0.7
Unilever	387	−3
VMF Stork	248	−4
VNU	272.5	−2
Wessanen	225	−1.5
West Utr Bank	88.5	−0.5

NORWAY

Dec. 3	Price Kroner	+ or −
Bergens Bank	168.3	......
Borregaard	452.3	−5.3
Christiania Bank	178.3	−1.5
DenNorske Cred	178	−5.3
Elkem	101.5	+1
Kosmos	185	−4.5
Kvaerner	183	−5
Norske Data	445	−8
Norsk Hydro	142.5	−1.3
Storebrand	283	−4.3

SPAIN

Dec. 3	Price Pts %	+ or −
Bco Bilbao	415	+11
Bco Central	332	......
Bco Exterior	202	−2
Bco Hispano	135	......
Bco Popular	421	......
Bco Santander	357	......
Bco Vizcaya	375	......
Dragados	138	+6
Hidrola	84	+5.8
Iberduero	106.2	......
Petroleos	141.5	−1.5
Telefonica	136.2	−2.5

SWEDEN

Dec. 3	Price Kronor	+ or −
AGA	188	−1
Alfa-Laval B	242	−1
ASEA (Free)	330	......
Astra (Free)	500	−10
Atlas Copco	162	......
Cardo (Free)	271	+1
Cellulosa	158	−5
Electrolux B	178	......
Ericsson B	217	−3
Esselte	445	−1
Mo och Domsjo	184	−4
Pharmacia	120	−5
Saab Scania Free	505	+5
Sandvik	540	+18
Skandia	295	+6
Skan Enskilda	67	−0.5
SKF	255	−4
Sonnesson	153xr	......
Stora Kopparbrg	165	−4
Sven Handlesbn	208	+2
Swedish Match	220	......
Volvo B (Free)	394	−15

SWITZERLAND

Dec. 3	Price Frs.	+ or −
Adia Intl.	4,850	−125
Alusuisse	660	−2
Bank Leu	4,175	−75
Brown Boveri	1,785	−65
Ciba Geigy	3,560	−65
do. (Part Certs)	5,825	−95
Credit Suisse	5,460	−50
Elektrowatt	3,500	+26
Fischer (Geo.)	1,120	−30
Hoff-Roche PtCts	11,600	......
Hoff-Roche 1/10	11,475	−75
Jacobs Suchard	7,425	−25
Jelmoli	6,750	−73
Landis & Gyr	2,240	−20
Nestle	7,850	−125
Oer-Buehrle	1,350	−30
Pirelli	371	−5
Sandoz (Br)	8,900	−150
Sandoz (Pt Cts)	1,640	−60
Schindler (PtCts)	900	−10
Sika	1,880	−20
Surveillance A.	5,950	−40
Swissair	1,533	−6
Swiss Bank	316	−9
Swiss Reinsce	12,600	+100
Swiss Volksbk	2,655	−60
Union Bank	4,895	−80
Winterthur	4,970	−15
Zurich Ins.	5,700	−25

AUSTRALIA

Dec. 3	Price Aust $	+ or −
ANZ Group	4.75	−0.03
Ampol Pet.	2.22	−0.03
Ashton	1.15	+0.04
Aust. Cons. Ind.	2.8	+0.02
Aust. Guarantee	2.43	......
Aust. Nat. Ins.	2.70	......
APM	2.9	+0.05
Bell Group	11.35	+0.05
Bell Res.	4.8	......
Bond Corp Hldgs	2.23	......
Boral	3.14	......
Bougainville	1.82	+0.02
Brambles Inds	4.4	+0.15
Bridge Oil	2.03	−0.05
B. H. Prop.	8.42	+0.16
CRA	5.32	−0.04
CSR	3.48	−0.02
Castlemaine Tys	8.0	......
Coles (G.J.)	4.15	−0.06
Comalco "A"	1.8	−0.05
Consolidated Pet	0.4	+0.02
Costain Aust.	2.5	−0.1
Dunlop Olympic	2.28	−0.1
Elders IXL	2.92	−0.03
Energ Res.	1.6	+0.02

AUSTRALIA (continued)

Dec. 3	Price Aust $	+ or −
Gen. Prop. Trust	2.14	+0.04
Hardie (James)	3.25	−0.05
Hartogen Energy	2.03	+0.05
Herald W'yTimes	3.68	......
ICI Aust	2.12	−0.03
Jimberlana F.P.	0.24	−0.01
Kia Ora Gold	0.16	......
Lend Lease	5.08	......
MIM	2.42	−0.05
Mayne Nickless	3.2	......
Myer Emporium	3.33	−0.06
Nat. Aust. Bank	4.7	......
News	8.3	−0.03
Nicholas Kiwi	2.3	......
NorandaPac'Ppd	0.68	+0.03
North Bkn Hill	2.2	......
Oakbridge	1.26	−0.01
Pancontinental	1.83	−0.05
Pioneer Conc.	2.22	−0.02
Poseidon	3.45	−0.05
Queensland Coal	1.49	+0.02
Reckitt & Colman	5.53	−0.05
Repco	1.55	......
Santos	6.42	−0.04
Smith (Howard)	4.55	+0.15
Thos. Natwide	2.35	−0.05
Tooth	5.5	......
Vamgas	6.16	−0.06
Western Mining	3.15	−0.1
Westpac Bank	4.53	......
Woodside Petrol	1.27	+0.02
Woolworths	5.52	......
Wormald Intl.	8.65	−0.85

HONG KONG

Dec. 3	Price H.K.$	+ or −
Bank East Asia	25.5	−0.2
Cheung Kong	18.3	−0.5
China Light	14.5	−0.1
Evergo	0.65	......
Hang Seng Bank	45.0	−1.25
Henderson Land	2.1	−0.05
HK China Gas	12.4	−0.3
HK Electric	8.1	−0.1
HK Kowloon Wh.	7.05	−0.15
HK Land	6.35	−0.05
HK Shanghai BK.	7.55	−0.05
HK Telephone	9.45	−0.2
Hutchison Wpa	33.5	−0.3
Intnl. City	0.99	......
Jardine Moth	18.1	+0.1
New World Dev.	8.13	−0.1
Orient O'seas	1.99	......
SHK Props	12.2	−0.1
Shell Elect	0.91	......
Swire Pac A	28.7	−0.5
TV-B	5.45	......
World Int. Hldgs.	2.45	−0.02

JAPAN

Dec. 3	Price Yen	+ or −
Ajinomoto	1,110	+10
All Nippon Air	670	+10
Alps Electric	1,670	−30
Asahi Chem	772	−18
Asahi Glass	860	−11
Bank Tokyo	725	−1
Bridgestone	525	......
Brother Inds	575	−4
Canon	1,080	−30
Casio Comp	1,820	−50
Chugai Pharm	921	−2
Daiei	730	−6
Dai-Ichi Kan. Bk.	1,480	+35
Dai Nippon Ink	321	−4
Dai Nippon Ptg	1,970	−15
Daiwa House	889	−1
Daiwa Sec.	780	−3
Eisai	1,570	−30
Fanuc	7,800	+10
Fuji Bank	1,475	+35
Fuji Film	2,020	......
Fujisawa	914	−1
Fujitsu	1,010	−15
Furukawa Elect.	338	−3
Green Cross	2,070	......
Heiwa Real Est.	816	−18
Hitachi	706	−4
Hitachi Credit	1,125	−10
Honda	1,160	−10
Indl. Bk. Japan	1,060	+20
Ishikawajima Hr.	160	−1
Isuzu Motors	344	+2
Itoh (C)	997	......
Ito Yokado	5,050	......
JAL	6,900	+105
Jusco	960	−12
Kajima	465	−8
Kao Soap	972	−7
Kawasaki Steel	137	−1
Kirin	730	+6
Kobe Steel	176	−2
Komatsu	502	−4
Konishiroku	686	−5
Kubota	335	−2
Kumagai	716	−8
Kyocera	4,040	+10
Marubeni	313	......
Marui	1,530	−15
Mazda Motors	389	+4
Meiji Seika	538	−5
MEI	1,170	−20
M'bishi Bank	1,460	......
M'bishi Chem	486	−9
M'bishi Corp	671	−4
M'bishi Elect	347	+1
M'bishi Estate	1,100	......

JAPAN (continued)

Dec. 3	Price Yen	+ or −
MHI	368	−4
Mitsui Bank	1,000	−10
Mitsui	458	−2
Mitsui Estate	1,000	−20
Mitsui Toatsu	280	−2
Mitsukoshi	646	−2
NGK Insulators	885	−5
Nikko Sec.	719	−6
Nippon Denso	1,400	+15
Nippon Elect	1,255	......
Nippon Express	560	+1
Nippon Gakki	1,630	+10
Nippon Kogaku	1,035	+15
Nippon Kokan	135	−1
Nippon Oil	781	−15
Nippon Seiko	518	......
Nippon Shimpan	730	+23
Nippon Steel	151	−3
Nippon Suisan	545	+1
Nippon Yusen	340	−8
Nissan Motor	376	+2
Nisshin Flour	435	−5
Nomura	1,040	......
Olympus	1,515	+15
Onoda Cement	304	−1
Orient Finance	920	+16
Orient Leasing	2,300	−100
Pioneer	1,600	......
Ricoh	1,110	......
Sankyo	1,045	−10
Sanwa Bank	1,315	+20
Sanyo Elect	528	......
Sapporo	870	+9
Sekisui Prefab	880	+4
Seven-Eleven	9,500	−190
Sharp	898	−7
Shimizu Constn	570	−8
Shionogi	750	−6
Shiseido	1,340	+20
Showa Denko	209	......
Sony	5,820	−10
S'tomo Bank	1,600	......
S'tomo Chem	241	−2
S'tomo Corp.	715	+3
S'tomo Elect	895	+2
S'tomo Metal	145	+1
Taisei Corp.	335	−4
Taisho Marine	629	−6
Taiyo Kobe Bank	713	......
Takeda	885	+1
TDK	4,030	−50
Teijin	488	+1
Toa Nenryo	1,100	−55
Tokai Bank	990	−5
Tokio Marine	872	−15
Tokyo Elect Pwr	2,220	−55
Tokyo Gas	275	−3
Tokyu Corp.	540	−2
Toppan Print	970	−3
Toray	505	−3
Toshiba Elect	538	−5
Toyo Seikan	1,690	......
Toyota Motor	1,120	−30
UBE Inds	208	+2
Victor	1,420	......
Yamaha	640	+4
Yamaichi Sec	723	+15
Y'manouchi Phm	2,950	......
Yamazaki	982	−16
Yasuda Fire	325	......

SINGAPORE

Nov. 25	Price †	+ or −
Boustead Hldgs	1.30	......
Cold Storage	2.83	......
DBS	3.30	......
Genting	5.00	......
Haw Par. Bros.	1.93	......
Hong Leong Fin.	2.47	......
Inchcape Bhd	1.90	......
Keppel Shipyard	1.10	......
Malay Banking	5.20	......
Malay Utd. Ind.	2.05	......
Multi Purpose	0.76	......
OCBC	8.20	......
OUB	2.65	......
Public Bank	1.23	......
Sime Darby	1.45	......
Singapore Press	6.00	......
Straits Trdg.	2.58	......
Tat Lee Bk	2.41	......
UOB	3.36	......

† Tradings suspended

SOUTH AFRICA

Dec. 3	Price Rand	+ or −
Abercom	1.8	......
AE&CI	9.4	+0.01
Allied Tech	58	−3
Anglo Am. Coal	62.3	......
Anglo Am. Corp	39	+1.25
Anglo Am. Gold	193	+2
Barclays Bank	18	......
Barlow Rand	13.8	−0.15
Buffels	81.25	+2.25
CNA Gallo	2.05	+0.05
Currie Finance	5.0	......
De Beers	15.5	−0.1
Driefontein	90	+0.26
FS Geduld	73.3	+1.5
Gold Fields SA	37.6	+0.1
Highveld Steel	5.7	......
Nedbank	8.8	−0.3
OK Bazaars	12	−0.6
Protea Hldgs	2.3	......
Rembrandt	46.25	......
Rust Plat	25.5	+0.25
Safren	11.75	+0.25
Sage Hldgs	9.9	......
SA Brews	7.8	+0.1
Smith (C.G.)	23.75	−0.75
Tongaat Hulett	6.5	+0.05
Unisec	8.05	......

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

Prices at 2.30pm December 3

Sales	Stock	High	Low	Close	Chng

Total Sales 5,238,154 shares

MONTREAL

Closing prices December 3

Sales	Stock	High	Low	Close	Chng

F—No voting rights or restricted voting rights.

Indices

NEW YORK-DOW JONES

	Dec 3	Dec 2	Nov 28	Nov 27	Nov 26	Nov 25	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Industrials	1,458.83*	1,457.91	1,472.13	1,475.69	1,458.77	1,458.65	1475.69 (27/11)	1184.96 (4/1)	1475.69 (27/11/85)	41.22 (2/7/32)
Transport	689.37*	687.37	690.13	683.17	676.97	676.26	702.6 (17/7)	553.83 (4/1)	702.60 (17/7/85)	12.32 (8/7/32)
Utilities	163.62*	163.62	164.03	164.44	164.60	165.37	169.51 (12/7)	146.54 (4/1)	169.51 (12/7/85)	15.5 (28/4/42)
Trading vol		103.3m	143.6m	143.6m	123m	91.7m	–	–	–	–

	Nov 22	Nov 15	Nov 8	Year Ago (Approx)
Ind Div Yield %	4.32	4.40	4.49	4.79

STANDARD AND POORS

	Dec 3	Dec 2	Nov 29	Nov 27	Nov 26	Nov 25	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Industrials	223.35*	223.10	225.21	225.77	223.51	223.09	225.77 (27/11)	128.24 (4/1)	225.77 (25/11/85)	3.62 (30/6/32)
Composite	200.73*	200.46	202.17	202.54	200.67	200.35	202.54 (27/11)	163.68 (4/1)	202.54 (27/11/85)	4.45 (1/6/32)

	Nov 20	Nov 13	Nov 6	Year Ago (Approx)
Ind div yield %	3.57	3.62	3.65	4.07
Ind. P/E Ratio	13.54	13.38	13.10	15.09
Long Gov Bond Yield	9.93	10.02	10.15	11.71

N.Y.S.E ALL COMMON

Dec 3	Dec 2	Nov 29	Nov 27	1985 High	1985 Low
115.75*	115.63	116.95	116.60	116.95 (29/11)	94.60 (4/1)

RISES AND FALLS

	Dec 2	Nov 28	Nov 27
Issues traded	2,537	1,829	2,004
Rises	562	801	1,022
Falls	1,032	674	545
Unchanged	443	451	437

NYSE-Consolidated 1500 Actives

	Stocks Traded	3.00p.m. Price	Change on Day		Stocks Traded	3.50p.m. Price	Change on Day
Texaco	2,954,200	31⅛	−½	Gould Inc	977,500	32	+1½
Kan Gas El	2,312,000	13⅛	−⅛	Royal Ind	954,100	28¾	unch
Viacom	1,436,200	63	+4¾	Baxter Lab	950,800	15	+⅛
Beatrice Co	1,410,505	45⅝	−⅛	Scher-Plo	940,805	59⅜	−1⅛
Pan Pwr Lt	1,164,305	27	unch	Roya Metal	937,508	34¼	−⅛

Advances 682 Declines 794

TORONTO	Dec 3	Dec 2	Nov 29	Nov 25	1985 High	1985 Low
Metals & Minls	1,948.6*	1,918.6	1,929.92	1,921.0	2190.7 (13/2)	1740.82 (31/10)
Composite	2,845.8*	2,834.3	2,857.10	2,839.6	2857.1 (29/11)	2348.5 (8/1)
MONTREAL Portfolio	137.81*	137.20	138.40	137.80	139.33 (19/7)	117.80 (4/1)

* Indicates pre-close figure

	Dec. 3	Dec. 2	Nov. 29	Nov. 28	1985 High	1985 Low
AUSTRALIA						
All Ord. (1/1/80)	986.7	988.2	990.7	991.6	1052.2 (25/10)	716.5 (2/1)
Metals & Minls. (1/1/80)	484.1	488.1	490.6	495.0	585.8 (20.5)	362.5 (7/1)
AUSTRIA						
Credit Aktien (2/1/82)	116.92	116.55	115.19	115.40	121.93 (26/11)	56.21 (24/1)
BELGIUM						
Brussels SE (3/1/80)	2949.14	2962.96	2965.07	2960.48	2968.46 (25/11)	2090.7 (18/1)
DENMARK						
Copenhagen SE (3/1/83)	223.88	225.55	225.91	224.16	237.51 (24/10)	158.44 (8/1)
FRANCE						
CAC General (31/12/82)	242.7	246.1	247.5	246.7	249.7 (26/11)	188.9 (3/1)
Ind Tendance (28/12/84)	139.8	141.1	142.2	145.8	144.2 (25/11)	100.1 (8/1)
GERMANY						
FAZ Aktien (31/12/58)	574.58	571.94	585.62	568.95	601.98 (22/11)	382.39 (3/1)
Commerzbank (1/12/53)	1694.2	1689.2	1725.6	1756.0	1781.4 (4/11)	1111.6 (3/1)
HONG KONG						
Hang Seng Bank (31/7/64)	1604.06	1604.67	1116.96	1606.50	1762.61 (21/11)	1270.74 (2/1)
ITALY						
Banca Comm Ital. (1972)	442.84	444.11	440.07	454.73	444.11 (2/12)	226.56 (2/1)
JAPAN**						
Nikkei (16/5/49)	12774.5	12796.9	12763.27	12741.2	13056.5 (15/10)	11546.2 (5/1)
Tokyo SE New (4/1/68)	1005.72	1007.81	1006.53	1008.77	1057.65 (10/1)	916.93 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	234.8	239.2	239.4	259.7	259.7 (26/11)	185.6 (5/1)
ANP-CBS Indust (1970)	212.9	217.0	216.7	215.6	217.0 (2/12)	147.9 (3/1)
NORWAY						
Oslo SE (4/1/83)	394.54	396.58	397.85	400.30	412.09 (12/11)	288.16 (2/1)
SINGAPORE						
Straits Times (1966)	(c)	(c)	(u)	695.45	852.65 (7/3)	695.45 (20/11)
SOUTH AFRICA						
JSE Gold (28/9/78)	—	1150.9	1185.9	1178.8	1277.1 (25/11)	829.5 (5/8)
JSE Indust (28/9/78)	—	1027.0	1030.5	1033.8	1049.2 (26/11)	767.1 (7/3)
SPAIN						
Madrid SE (28/12/84)	155.19	155.06	152.83	155.61	157.54 (21/11)	101.46 (3/1)
SWEDEN						
Jacobson & P (1/1/58)	1612.72	1650.56	1622.74	1611.64	1650.56 (2/12)	1285.62 (5/7)
SWITZERLAND						
Swiss BankCpn (31/12/58)	556.2	546.5	542.2	550.6	546.9 (2/12)	388.7 (3/1)
WORLD						
Capital Intl. (1/1/70)	—	243.6	235.6	246.4	245.2 (27/11)	184.6 (4/1)

** Saturday November 30: Japan Nikkei 12,779.51 TSE 1,008.45.

Base value of all indices are 100 except JSE Gold—255.7, JSE Industrial—264.3, and Australia, All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10; and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

OVER-THE-COUNTER Nasdaq national market, 2.30pm prices

Stock	Sales (Hnds)	High	Low	Last	Chng

Continued from Page 37

LONDON

Chief price changes (in pence unless otherwise indicated)

RISES

Alva Inv Trust	210	+15
British Hsme St	422	+10
Ferranti	140	+12
Fisons	448	+11
Gee-Rosen	51	+5
GEC	186	+12
Land Invest	56	+5
Plessey	174	+38
Racal Elect	162	+16
Toothill (RW)	230	+10
Tozer Kemsley	78	+7
Wire & Plastic	303	+13

FALLS

Tr 10½% 1989	£98⅜	−¼
Tr 11¾% 2003-07	£114¾	−¾
Boots	251	−7
Burton	548	−12
Dalgety	457	−14
Dee Corp	275	−10
Firstland Oil	70	−10
Habitat Mother	518	−16
Hall (M)	162	−14
Harris Queens	250	−10
Hazlewood Food	815	−33
Imperial	234	−6
Leeds Group	198	−10
RHM	178	−4
RTZ	507	−10
Royal Ins	765	−16
Tate & Lyle	562	−16
United Bisc	256	−17

Prices at 3pm, December 3

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
24⅝	18	AAR	.56	2.3	10	252	24⅝	24½	24¾	+⅜
19⅝	10⅛	AGS			14	107	17½	11	17¼	
14	9⅞	AMCA				4	11½	11⅜	11⅜	−⅛
50¾	32½	AMR			7	8768	41⅛	40½	40¾	−1
34½	18⅝	AMR	pf2.18	9.0		18	24¼	24⅛	24¼	−⅛
25⅞	20	ANR	pf 2.67	11.		1	24	24	24	+½
25	19	ANR	pf 2.12	10.		5	20⅜	20⅜	20⅜	−⅛
11⅛	7⅜	APL			5	80	10⅜	10¼	10¼	−½
15⅜	6	ARX			14	121	15⅛	15	15	
55¾	32¼	ASA	2a	5.5		367	38⅝	35⅞	38⅝	+1
27	10½	AVX	.32	2.5		57	13¼	12¾	12¾	−½
28⅛	20⅝	AZP	2.72	11.	7	1641	26	25½	25⅝	−¼
63⅜	38⅝	AbtLab	1.40	2.3	16	424	61½	60⅞	61¼	
25⅞	19⅝	AccoWd	.50	2.0	16	92	24½	24⅜	24½	+⅛
24¾	10	AcmeC	.40	6.1	18	203	13	12¾	12¾	−¼
10½	7	AcmeE	.32b	4.4	11	13	7⅜	7¼	7¼	
19	15½	AdaEx	1.92e	10.		180	18⅞	18⅝	18⅞	+⅛
15⅝	8⅝	AdvSys	.53t	3.4	25	47	15⅝	15⅛	15⅝	+⅜
36⅝	22⅞	AMD			41	4231	28	27⅛	27¾	+⅜
12¾	16⅝	Adobe n				111	u12⅜	12¼	12¼	+⅛
16⅝	14⅝	Adob	pfA			22	16⅝	16½	16½	
17⅜	15¼	Adob	pfB			33	u17½	17⅜	17½	+⅛
12⅞	7	Advest	.12a	1.1	18	124	11⅛	11⅛	11⅛	−⅛
53⅞	34⅝	AetnLf	2.64	5.2	17	1876	51⅞	50⅞	51⅛	−⅜
57½	53¼	AetL	pf5.19e	9.3		38	55¾	55⅝	55⅝	−⅛
40½	22⅞	Ahmns	1.20	3.0	7	2017	40⅜	38¾	40¼	+1
3⅝	2½	Aileen				38	2¾	2¾	2¾	
62½	44½	AirPrd	1.48	2.5	13	481	60½	59⅞	60	−½
24⅜	17½	AirbFrt	.60	2.9	12	64	21	20¾	20¾	−⅛
2⅞	1⅜	AlMoa	s.10e	5.3		128	2	1⅞	1⅞	
33⅜	27	AlaP	pfA3.92	14.		22	27¾	27⅝	27⅝	−⅛
8¾	6¾	AlaP	dpl.67	11.		41	8⅛	6	6	−⅛
87¾	66½	AlaP	pf 9	11.		z200	84	84	84	
108¼	96⅞	AlaP	pf 11	11.		z610	104	104	104	+1
92⅞	70	AlaP	pf 9.44	11.		z270	88½	80½	88½	
79⅜	61⅞	AlaP	pf 8.16	11.		z3000	74½	74½	74½	−2
78⅜	60	AlaP	pf 8.28	11.		z719	74½	74¼	74¼	−¼
26⅝	13½	AlskAir	.16	.8	6	1075	19⅞	19⅜	19¾	+1¼
20¼	12½	Alberto	s .88	1.3	21	43	28¾	28⅝	28⅝	−⅝
33¼	25⅝	Albtsns	.78	2.4	13	106	31⅜	30⅞	31⅛	
31¼	22¾	Alcan	.80	3.0	38	892	26¼	25¾	26¼	+⅜
38⅞	27⅛	AlcoStd	1.24	3.4	10	17	37	36¾	36¾	−¼
32¾	21	AlexAl	s 1	3.1		145	32¼	31⅝	31¾	−¼
31½	20⅝	Alexdr			29	233	u32⅛	31	32	+1
89½	72¼	AlleCp	1.54t	1.8	22	3	85⅞	85⅞	85⅞	−¼
27⅛	24½	AlgCp	pf2.86	11.		1	26⅛	26⅛	26⅛	+¼
28⅝	20¼	AlgInt	1.40	6.7		663	21¼	20½	21	
20¾	16⅞	AlgIn	pf2.19	18.		7	17¼	17	17¼	+¼
88	60¼	AlgI	pfC11.25	13.		31	88¾	88¼	88¼	−⅝
34⅜	28⅛	AllgPw	2.70	8.3	19	2360	32¾	32½	32½	−¼
24	16¼	AllenG	.60b	2.5	13	169	24	23¼	24	+⅜
23¼	15⅞	AlldPd			6	132	18⅝	18¼	18½	+⅜
48⅞	42	AldSgnn	1.80	4.0	8	1547	45⅝	45⅛	45⅜	−⅜
70½	62	AldS	pfA4.12	8.2		32	66½	66	66	−⅛
63	36¾	AldS	pfC6.74	11.		38	61	60¾	60⅞	−⅜
111	103½	AldS	pfD 12	11.		2	105⅝	105⅝	105⅝	−⅜
103⅜	99¾	AldS	pfF			102	99⅞	99¾	99¾	
68¾	47⅞	AlldStr	2.20	3.3	9	1044	68	65⅝	66⅞	−⅛
9½	3⅛	AllisCh				98	3⅜	3¼	3⅜	+⅛
34⅞	24	AlisC	pf			26	27⅜	27¼	27¼	−¼
30⅛	23⅝	ALLTL	1.96	7.9	9	160	28⅝	28	28⅛	
39⅞	29¼	Alcoa	1.20	3.3	34	696	36	35⅝	35⅞	+⅜
19	10½	Amax	.10j			4196	12¼	12	12	+⅜
36	27½	Amax	pf 3	10.		22	29¾	29	29¼	+1
34	22¾	AmHes	1.10	4.0	25	674	28¼	27⅝	27⅝	−⅜
2⅜	1⅛	AmAgr				75	1⅝	1¼	1¼	−⅛
[illegible]										

Continued on Page 37

NYSE COMPOSITE PRICES

Continued from Page 36

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begins with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, December 3

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Stock	Sales (Hds)	High	Low	Last	Chng
[illegible]					

Continued on Page 35

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Hesitation lingers after losses

SOME modest buying of blue chips and technology issues that had beeo recent leaders helped Wall Street to edge ahead yesterday although in the broader market investors remained hesitant after Monday's losses, *writes Michael Morgan in New York.*

At 3pm the Dow Jones industrial average was down 0.34 at 1,457.57.

In the credit markets, prices of Treasury coupon issues continued to fall from the lower levels establisbed during the previous session.

The announcement of a 0.3 per cent gain in October's index of leading indicators was at the bottom end of expectations but was still another indication of an expanding economy. The market was also guarded as a result of the rontinued Congressional stalemate on the passage of the Gramm-Rudman budget reform programme and the conviction that there was little likelihood of any imminent cut in the 7½ per cent discount rate.

Federal funds opened firm at 8¾ per cent and traded as higb as 9 per cent before the Fed stepped in with the addition of temporary reserves through a two-day system repurchase arrangement when the rate was 8 13/16.

In the stock market, IBM picked up $½ to trade at $138¼, General Electric $¼ to $64¾ and General Motors $¼ to $70⅞. AT&T was unchanged at $23⅜ while Digital Equipment rose $1⅜ to $119⅞.

In the oil sector, Standard Oil of Ohio was $1¼ higher at $52⅞ after the company said it would take a $1.15bn charge in the fourth quarter. Texaco remained an active feature. The stock fell $⅜ to $31⅜ as investors continued to assess a Texas judge's refusal to delay a hearing on Pennzoil's $10.5bn jury award. Pennzoil put on $1⅞ to $65⅛.

Exxoo added $¼ to $52⅜, and Chevron put on $⅛ to $37½. Atlantic Richfield traded unchanged at $65¾.

General Dynamics was $1⅞ lower at $65⅞ after a grand jury accused the company and some of its past and present officials of improperly charging cost overruns on an anti-aircraft gun prototype. The Navy said it was reviewing the indictment to determine whether the Defence Department would bar the company from military contracts.

Among aerospace issues, McDonnell Douglas was $½ higher at $72¼ after a subsidiary woo a Star Wars contract to design a ballistic missile which would destroy inroming nuclear warheads. Boeing picked up $⅜ to $49¾. It is to acquire De Havilland of Canada, the commuter aircraft manufacturer, for C$155m.

Among corporate reports, Deere, the farm equipment manufacturer, fell $½ to $28 as it announced lower fourth-quarter and full-year results.

Schering-Plough, the drugs and consumer products group, was $1¼ lower at $59¼ despite its forecast of higher earnings for this year and 1986.

Dow Chemical was unchanged at $38¼. It announced price rises for some polyethylene resins.

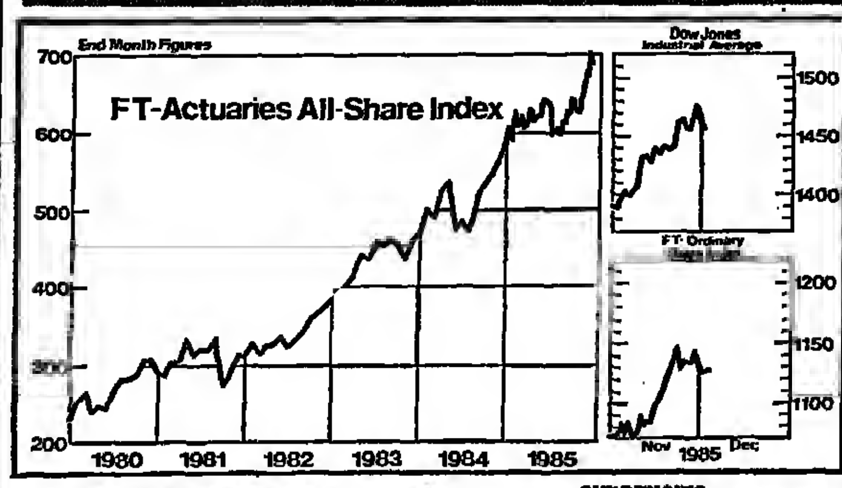
The American Depositary Receipts of Plessey of the UK were up $3¾ at $25½ after General Electric of Britain proposed a possible acquisition of the telecommunications group.

In the high-technology sector, Control Data was steady at $18⅝ as it announced a multimillion dollar order to supply computer tape memory units. Amdahl put on $⅝ to $12¾ after its announcement of additioos to its storage products.

In the credit markets, the price of the key long bond, the 9⅞ per cent of 2015, fell a further 8/32 to 99 5/32. The 9½ per cent 10-year note was 5/32 lower at 98 23/32.

The yield on the three-month Treasury hill added 2 basis points from Monday's auction level to 7.23 per cent. The six-month bill, yielding 7.31 per ceot, was 1 hasis point lower. Rates on certificates of deposit were bigher.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Dec 3	Previous	Year ago
NEW YORK			
DJ Industrials	1,457.57*	1,457.91	1,182.42
DJ Transport	689.26*	687.27	523.58
DJ Utilities	163.52*	163.62	144.39
S&P Composite	200.57*	200.46	162.82
LONDON			
FT Ord	1,128.3	1,142.9	917.5
FT-SE 100	1,415.6	1,439.1	1,191.7
FT-A All-share	685.29	688.02	568.82
FT-A 500	753.84	755.82	621.72
FT Gold mines	270.6	265.8	556.7
FT-A Long gilt	10.12	10.26	10.33
TOKYO			
Nikkei	12,774.55	12,796.92	11,513.8
Tokyo SE	1,005.72	1,007.81	880.99
AUSTRALIA			
All Ord.	986.7	988.2	740.0
Metals & Mins.	484.1	488.1	432.0
AUSTRIA			
Credit Aktien	166.92	116.55	58.09
BELGIUM			
Belgian SE	2,949.14	2,962.96	—
CANADA			
Toronto			
Metals & Minls	1,948.8*	1,910.63	1,882.00
Composite	2,845.8*	2,834.33	2,366.30
Montreal			
Portfolio	137.81*	137.2*	117.3
DENMARK			
SE	223.88	223.55	167.54
FRANCE			
CAC Gen	242.7	245.1	181.2
Ind. Tendance	139.8	141.1	99.7
WEST GERMANY			
FAZ-Aktien	574.58	571.94	375.55
Commerzbank	1,694.2	1,689.2	1,097.4
HONG KONG			
Hang Seng	1,664.06	1,694.57	1,122.26
ITALY			
Banca Comm.	442.94	444.11	215.75
NETHERLANDS			
ANP-CBS Gen	234.8	239.2	178.2
ANP-CBS Ind	212.8	217.0	140.3
NORWAY			
Oslo SE	394.54	396.38	275.38
SINGAPORE			
Straits Times	closed	695.43	801.38
SOUTH AFRICA			
JSE Golds	–	1,138.9	1,071.6
JSE Industrials	–	1,027.0	968.7
SPAIN			
Madrid SE	133.19	133.06	100.83
SWEDEN			
J & P	1,612.72	1,630.58	1,345.9
SWITZERLAND			
Swiss Bank Ind	535.2	545.9	378.8
WORLD	Dec 2	Prev	Year ago
Capital Int'l	243.6	245.6	183.8

COMMODITIES

(London)	Dec 3	Prev
Silver (spot fixing)	410.45p	407.20p
Copper (cash)	£916.50	£914.00
Coffee (Jan)	£1,957.50	£1,942.50
Oil (spot Arabian Light)	$27.90	$27.85

GOLD (per ounce)

	Dec 3	Prev
London	$322.75	$319.75
Zürich	$323.05	$322.25
Paris (fixing)	$323.18	$325.08
Luxembourg	$322.20	$324.65
New York (Feb)	$326.40	$322.30

CURRENCIES

(London)	U.S. DOLLAR Dec 3	U.S. DOLLAR Previous	STERLING Dec 3	STERLING Previous
$	–	–	1.4795	1.4875
DM	2.5335	2.521	3.7475	3.75
Yen	204.8	204.05	303.0	303.5
FFr	7.725	7.6875	11.43	11.435
SFr	2.112	2.1035	3.125	3.13
Guilder	2.851	2.831	4.2175	4.21
Lira	1,725.5	1,714.5	2,552.75	2,550.0
BFr	51.45	51.05	76.1	75.95
C$	1.39095	1.38965	2.0609	2.0634

INTEREST RATES

	Dec 3	Prev
Euro-currencies (3-month offered rate)		
£	11⅝	11 9/16
SFr	4⅛	4⅛
DM	4 15/16	4⅞
FFr	9 15/16	10⅛
FT London Interbank fixing (offered rate)		
3-month U.S.$	8 5/16	8 5/16
6-month U.S.$	8 5/16	8 5/16
U.S. Fed Funds	8⅝*	8⅝
U.S. 3-month CDs	7.95*	7.80
U.S. 3-month T-bills	7.22*	7.25

U.S BONDS

Treasury		Dec 3* Price	Dec 3* Yield	Prev Price	Prev Yield
8½	1987	99 31/32	8.516	100 1/32	8.482
9¾	1992	100 31/32	9.548	101 3/32	9.517
9½	1995	98 23/32	9.698	98 28/32	9.668
9⅞	2015	99 10/32	9.947	99 18/32	9.927

Treasury Index

Maturity (years)	Return index	Dec 3* Day's change	Yield	Day's change
1–30	133.54	−0.11	9.25	+0.02
1–10	131.28	−0.08	8.98	+0.03
1– 3	127.40	−0.01	8.49	+0.01
3– 5	132.97	−0.15	9.20	+0.04
15–30	141.57	−0.22	10.21	+0.02

Source: Merrill Lynch

Corporate	Dec 3* Price	Dec 3* Yield	Prev Price	Prev Yield
AT & T				
10⅜ June 1990	101¼	10.00	101¼	10.00
3⅞ July 1990	94½	7.95	84½	7.95
8⅝ May 2000	87¼	10.48	87¼	10.48
Xerox				
10⅞ Mar 1993	102	10.25	102	10.25
Diamond Shamrock				
10⅝ May 1993	100	10.625	100	10.625
Federated Dept Stores				
10⅜ May 2013	95⅛	11.20	95⅛	11.20
Abbot Lab				
11.80 Feb 2013	106⅝	11.05	106⅝	11.05
Alcoa				
12¼ Dec 2012	103¼	11.95	103¼	11.95

Source: Salomon Bros

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
Dec	80-19	80-31	80-14	80-27
U.S. Treasury Bills (IMM) $1m points of 100%				
Dec	92.91	92.93	92.85	92.90
Certificates of Deposit (IMM) $1m points of 100%				
Dec	92.11	92.13	92.07	92.13
LONDON				
Three-month Eurodollar $1m points of 100%				
Dec	91.83	91.85	91.79	91.91
20-year Notional Gilt £50,000 32nds of 100%				
Dec	112-05	112-12	112-00	112-18

* Latest available figures

TOKYO

Drained by year-end settlements

INSTITUTIONAL investors and corporations kept a low profile, and share prices rontinued to edge down in Tokyo yesterday, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average shed 22.37 to 12,774.55. Turnover remained weak with 283m shares traded, although up from Monday's 212m. Declines outnumbered advances by 460 to 357, with 125 issues unchanged.

Trading was lacklustre as many financial institutions suffered a shortage of surplus funds due to increasing fund demand for year-end settlement of accounts and a rapid shift of funds to short-term financial instruments.

The stock exchanges in Singapore and Malaysia are expected to resume trading tomorrow.

Some speculators busily bought and sold small-capital stocks for quick profits, with general investors dispirited by an overnight plunge on Wall Street.

Shin-Etsu Chemical topped the active stock list with 7.98m shares changing hands and climbed Y41 to Y893. It has declined substantially after hitting an all-time high of Y1,550 in May last year on investor interest in high-tech issues.

Kaluei Construction, the second busiest with 7m shares, surged Y21 to Y345 on rumours about the cornering of its shares by speculators.

Small-capital cash-trade stocks also shot up, with Aichi Tokei Denki gaining Y22 to Y497, Dainichiseika Color and Chemicals Y29 to Y634 and Maruzen Y19 to Y630.

Conversely, Oki Electric Industry weakened Y20 to Y720 on profit-taking after surging for about two weeks on rumours that it might form a capital tie-up with IBM.

Citizen Watch lost Y11 to Y495 after following an uptrend on investor interest in its manufacture and sales of integrated circuit cards.

Large capitals remained out of favour. Mitsubishi Heavy Industries eased Y4 to Y368 and Tokyo Gas Y3 to Y278.

Blue-chip stocks also dulled, with Sony slumping Y10 to Y3,820, TDK Y50 to Y4,050 and Canon Y30 to Y1,080. Budget-affected and biotechnology-related stocks were also weak.

The bond market saw the yield on the barometer 8.8 per cent government bond due in December 1994 soar from 8.135 per cent to 6.190 per cent.

Market sources believe it is only natural for the bellwether bond to drop as it has followed an uptrend since November 14 when it stood at 7.080 per cent. Some city banks made buy orders in relatively large lots.

SOUTH AFRICA

GOLDS firmed throughout the day in Johanneshurg to close higher, but some finished off their highs of the day as the price of bullion weakened.

The Free State gold mine President Brand was up R2 at R57 after opening steady at R55. Driefontein added 25 cents to R50, and Buffels gained R2.25 to R81.25.

Industrials ended mixed, with Barlow Rand 15 cents lower at R13.80, and banking share Nedbank lost 30 cents to R9.10 while Barclays remained steady at R18.

Among mining financials, Anglo American gained R1.25 to R39 while diamond share De Beers faded 10 cents to R15.

CANADA

AFTER Monday's 23-point drop in the composite index, Toronto began to turn round yesterday, and most stocks moved ahead.

Most activity was seen among mining issues, with Teck Class B C$⅝ higher at C$18.

Among banks, Royal Bank of Canada remained unchanged at C$34½ after reporting an 8 per cent increase in profits for 1985.

Industrials and banks were lower in Montreal while utilities showed some gains.

EUROPE

Bulls swept aside by profit-takers

VIGOROUS profit-taking swept aside any semblance of bullish sentiment on the European bourses yesterday, with most centres retreating briskly.

Frankfurt was the exception, but only just. The Commerzhank index rebounded 5.0 to 1,694.2 in a largely technical recovery from the previous session's dramatic 36-point fall in the index. The 3-pfg gain for the dollar against the D-Mark offered some reassurance to export-sensitive stocks – mainly car issues.

Daimler, drained by an exhausting series of sharp reverses, started to display a recovery with a DM 17 rise to DM 1,142 while BMW sparkled with a proportionally more impressive DM 15 rise to DM 556. VW, stunned by Monday's unusally befty DM 12.60 fall, recouped a modest DM 4.80 to finish at DM 394.

Corporate news provided a few features. Brown Boveri returned to trade after its Swiss parent announced details of a share buyback plan, boosting its bolding in the German subsidiary to 75 per cent. BBC gained DM 2 to DM 300 rompared with the parent offer of DM 305 a sbare.

BHF was spotlighted in an active banking sector as reports circulated that Union Bank of Switzerland was poised to make a bid for the West German bank. BHF jumped DM 12.80 to a new higb for the year of DM 461. UBS stated that no decision bad yet been taken on its entry into the West German market.

Deutsche Bank continued to lose ground with a further DM 2 loss to DM 667 although Commerzbank crept 50 pfg higher to DM 263. Schering stabilised somewbat at DM 823 after Monday's fall precipitated by the break-off of talks with Henkel over the purchase of two of the latter's US subsidiaries.

Bonds eased by as much as 20 basis points following declines on US credit markets and the dollar's recovery. The Bundesbank bougbt DM 25m worth of paper to balance the market after Monday's meagre 400,000 sales.

Elsewhere in Europe the scene was thick with casualties.

The peak set by Zurich in the previous session was quickly surrendered as waves of foreign profit-takers swamped solid domestic buying. The Swiss Bank industrial index fell 10.7 to 535.2.

UBS, linked with possible expansion plans in West Germany, shed SFr 80 to SFr 4,890 while Hoffmann-La Roche gave up half of Monday's rise with a SFr 75 setback to SFr 11,475.

The tumble in Amsterdam was attributed to the previous day's steep fall on Wall Street although many issues displayed some signs of strength in late trading. Dutch internationals, particularly those with a large US exposure, benefited in the late rebound.

Royal Dutch added 70 cents to Fl 179.50, and KLM managed a closing gain of 40 cents at Fl 52.80 after both shares traded lower during most of the session.

Unilever was Fl 3 cheaper at Fl 387 following Monday's suggestions that it was prepared to bid for UK pharmaceutical group Beechams.

Insurers were weak despite Aegon's higher nine-month profits. It ended Fl 3 cheaper at Fl 109.50, and banks continued to lose their recently acquired lustre. ABN lost Fl 5.50 to Fl 530 and Amro Fl 2.30 to Fl 96.20.

Stockholm reeled under the onslaught of full-bodied profit-taking that left the Jacobson & Ponsbach index 27,88 lower at 1,812.72, largely due to the overnight Wall Street showing.

Ericsson was the most active and lost SKr 3 to SKr 217 while Electrolux, also active, held steady at SKr 179.

Pharmaceutical glamour stock Fermenta retreated from Monday's record level to finish SKr 2 cheaper at SKr 152.

Astra, unquoted on Monday, fell SKr 10 from Friday's close to SKr 500, and Pharmacia dipped SKr 5 to SKr 190. Volvo dropped SKr 10 to SKr 294, and SKF weakened SKr 4 to SKr 259. Skandia was one of the few to move against the trend with a SKr 5 jump to SKr 295.

Milan, Paris and Brussels turned lower after the rampages of profit-takers while Madrid made modest progress in quiet trading.

LONDON

Confidence sparked by electricals

EXCITEMENT in electricals stirred London yesterday and dispelled the mood of uncertainty which looked set to leave stocks with sharp losses similar to the previous session.

The FT Ordinary share index regained an earlier fall of 13.6 to settle up 3.9 at 1,128.3.

GEC's tentative offer of 160p a share for Plessey left GEC, which minutes earlier had reported dismal half-year profits, 12p higher at 188p. Plessey added 38p to 174p.

A surprising rally in Far Eastern stocks, despite domestic market influences to the contrary, was a steadying factor.

Chief price changes, Page 35; Details, Page 34; Share information service, Page 32–33

HONG KONG

HEAVY SELLING by overseas investors, afraid that Singapore and Malaysia's problems might spread to Hong Kong, kept prices lower, and the Hang Seng index closed down 30.51 to 1,664.06.

Renewed speculation that Jardine Matheson would sell its stake in Hongkong Land injected some late morning support into the market. Jardine put on 10 cents to HK$13.10 while Hongkong Land slipped 5 cents to HK$6.35.

Elsewbere, falls were steeper, with Cheung Kong off 60 cents at HK$19.50, Hang Seng Bank HK$1.25 at HK$45.00, Hutchison 50 cents at HK$25.50 and Sun Hung Kai Properties 20 cents at HK$12.20.

AUSTRALIA

A WEAKER trend continued in Sydney following lower overseas markets and a lack of confidence in golds.

The All Ordinaries dropped 1.4 to 986.8. Turnover was boosted by the purchase of about 10m BHP sbares by Bell Group chief Mr Robert Holmes à Court in an options-related deal. After 14m shares were traded, BHP ended up 16 cents at A$8.42.

Among other market leaders, CSR fell 2 cents to A$3.48, MIM 3 cents to A$2.42, CRA 4 cents to A$5.32 and Western Mining 10 cents to A$3.12.